Annual report & accounts

2024

Cynergy Bank

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Strategic report

About us – the Human Digital Bank

We were founded with one purpose: to help UK businesses and savers to succeed, sustainably.

Our vision is to support business owners, entrepreneurs and savers to achieve their dreams. We do this by offering tailored banking solutions, delivered by real people and supported by the latest technology.

Empowering our business customers

Lending

£3.7bn +3%

2024

Supporting savers

Deposits

£4.5bn +18%

2024

Using technology to enhance, not replace, human interactions

Net promoter score

+55 -2

2024

Growing at pace to support ambitious SMEs

Fastest growing companies in UK

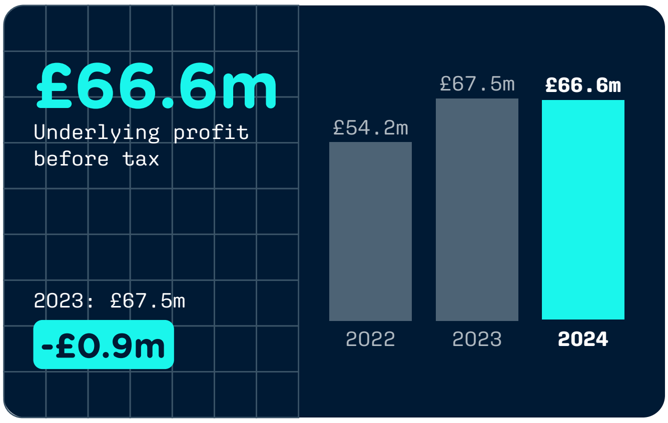
TOP 50

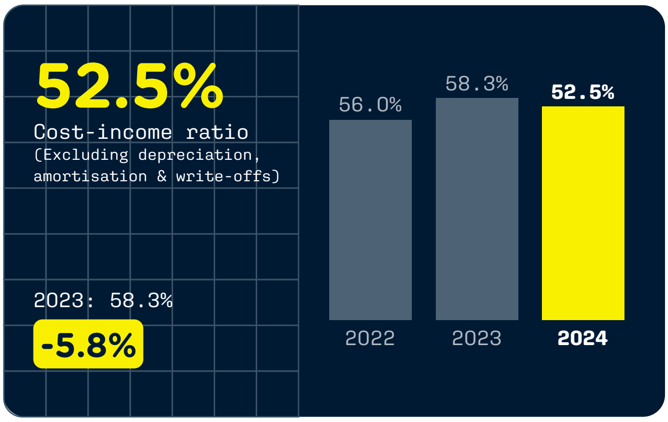
Financial highlights

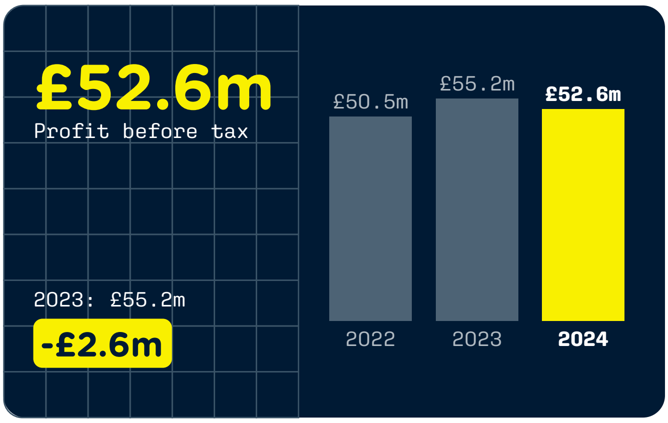
We delivered a resilient performance in 2024, navigating a challenging environment while still maintaining profitability and growth. Our underlying profit before tax remained robust at £66.6m (2023: £67.5m), with profit before tax at £52.6m (2023: £55.2m).

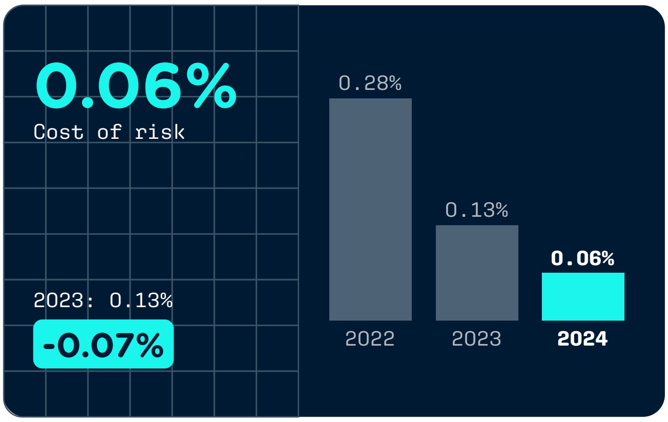
Operational efficiency also improved significantly, with the cost-income ratio falling to 59.7% (2023: 62.7%) and 52.5% (2023: 58.3%) when excluding depreciation, amortisation, and write-offs. Credit quality remained a key strength, as the cost of risk reduced sharply to 0.06% (2023: 0.13%).

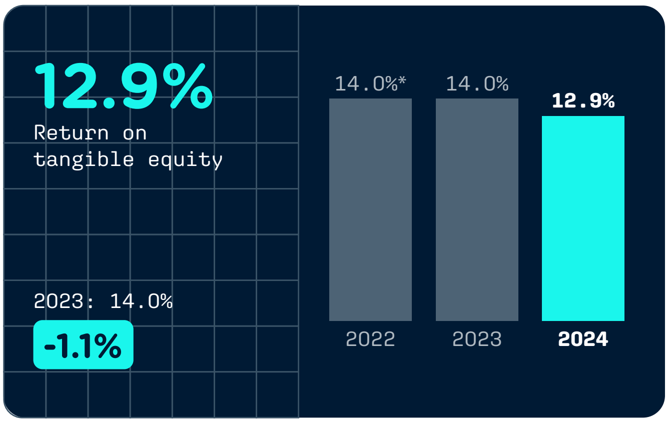
Balance sheet growth was also a highlight, with the loan book increasing to £3.7bn (2023: £3.6bn) and deposits rising strongly to £4.5bn (2023: £3.8bn). The return on tangible equity (RoTE) of 12.9% (2023: 14.0%) demonstrates our ability to generate sustainable returns while continuing to support customers and invest for the future.











*Excludes the impact of a one-off gain recognised from the sale of a property in 2022.

We're supporting our valued customers while ensuring Cynergy Bank is growing profitably.

Chair's statement

2024 has been a year of ups and downs for our customers and the wider economy. At the time of writing, interest rates are on a downward trajectory from their high of 5.25% in 2023, however inflation has been trending upwards since Q4 2024, with cost-of-living increases contributing to a challenging environment for our customers.

It's with these headwinds in mind that we have redoubled our efforts to provide support to our valued customers, while ensuring Cynergy Bank is growing profitably.

Our key metrics across funding, liquidity and capital remain robust. Our financial position continues to support sustainable growth and resilience in a changing economic environment.

The common equity tier 1 (CET1) ratio remains stable at 13.59%. This level provides a solid capital buffer, ensuring we are appropriately positioned to meet regulatory requirements and support future lending growth.

Our underwriting and credit risk management remain robust and disciplined: our cost of risk* has decreased once again, down from 13bps in 2023 to 6bps in 2024.

As part of the ongoing development of our Human Digital brand, we introduced a new mobile banking app to improve customers' ability to self-serve and bank on the go. The majority of our active customers are using the app and we expect this trend to continue as we introduce a new online banking platform to more customers this year.

On the lending side, we launched a number of exciting products, including Bridging and Club Lending – all of which are contributing to our lending growth. For deposits we've seen great success with our highly proactive approach, launching compelling new products including Business Notice Saver and a refreshed Business Current Account. These quickly joined our established products in the upper echelons of the account comparison tables thanks to their healthy rates of interest and unique features.

We remain committed to inclusion and diversity, with a good deal of progress by the team in 2024, including an Inclusive Employers Standard Bronze Award. To read more about our ESG strategy and progress, head to page 21.

*Cost of risk represents the impairment charge for expected credit losses recognised in the income statement during the reporting period, expressed as a percentage of the total loan book.

Looking ahead, we expect more good news for borrowers, as interest rates appear likely to continue to fall. Overall economic conditions and geopolitical uncertainty will no doubt remain challenging for our customers, however, we're committed to supporting them. We continue to invest in our digital capabilities, which in turn empowers our team to deliver the outstanding customer experience that our dedicated, professional team is known for.

I'd like to take this opportunity to welcome Stefano Combi to the Board. Stefano joins us as an Executive Director (subject to final regulatory approval) and I and my colleagues look forward to working with him.

I'd also like to take this opportunity to thank my fellow Board members for their hard work and support throughout 2024, our shareholders for their commitment to our success and the team at Cynergy Bank for their sterling efforts in the past year.

Euan Hamilton
Chair
23 April 2025

> Our Human Digital model is the future of mid-market SME banking.

CEO review

As I reflect on the past year, with its myriad economic and geopolitical challenges, I'm struck by the remarkable resilience of our customers and our people. When faced with significant headwinds, each has risen to the challenge and sought to overcome any obstacles to stability and prosperity.

Our customers have been clear that the economic environment has challenged their ability to grow, and our support, empathy and expertise have been critical to their stability and success.

Our colleagues have responded to all challenges with gusto, striving every day to deliver the highest levels of service, professionalism and expertise that our customers require, while also embracing the change needed to build our disruptive Human Digital model, which we believe is the future of mid-market SME banking.

My sincere thanks to the entire team at Cynergy Bank, who have once again delivered a strong set of results and demonstrated our capacity for growth while embracing innovation and change. We remain committed to supporting our customers and we continue to disrupt the SME banking space with our unique Human Digital approach.

Putting our customers first

Our customers remain at the heart of everything we do and we continue to strive to deliver outstanding customer service through our exceptional relationship managers. We grew our relationship team significantly during 2024 to support business growth. Our technology is our key enabler of operational efficiency, which empowers our relationship managers to focus on the needs and challenges faced by our customers. We have embedded the relationship managers into our technology to give a seamless customer experience – this is the foundation of our Human Digital approach to banking that makes us unique in the market.

Our key metric of customer satisfaction, our net promoter score, was +55 in 2024. We also achieved a Trustpilot score of 4/5, with more than 1,000 positive customer reviews last year.

Innovation in our products and services continues to meet the evolving needs of our customers. Highlights in 2024 were our innovations in Bridging, Loan-on-Loan and Club Lending. On the deposits front, we successfully launched a number of market-leading business savings products, as well as a revitalised Business Current Account that stands out in the market as an interest-paying account that meets the unique requirements of multi-director SMEs.

2024 Results

2024 was a challenging year for smaller banks due to the increasing costs of deposit funding. The current savings environment gives significant competitive advantage to the clearers and those organisations with a large current account base leading to significantly lower costs of funds. In 2024 our lending income grew to £313m from £276m the previous year on the back of lending growth from £3.6bn to £3.7bn; the cost of funds grew to £191m from £128m the previous year. This net interest margin squeeze from significantly higher deposit costs led to lower net revenue of £131m from £155m the previous year. During the year, supported by our material technology spend, we right-sized our cost base from £100m in 2023 to £81m in 2024.

Our underlying profit before tax for the year was broadly flat at £66.6m (statutory: £52.6m), compared to £67.5m (statutory: £55.2m) in 2023. While PAT remained flat year-on-year, growth in retained profits and continued investment in technology and growth has reduced return on tangible equity from 14% in 2023 to 13% in 2024.

Deposits grew to £4.5bn from £3.8bn, as our business and personal current and savings accounts resonated strongly with customers looking for a healthy return. This significant growth in deposits strengthens our funding position and reflects continued customer confidence in our offering.

Our statutory net interest margin was 2.77%, down from 3.68% in 2023. This decrease reflects the impact of higher funding costs and changing customer deposit behaviour in a stabilising interest rate environment.

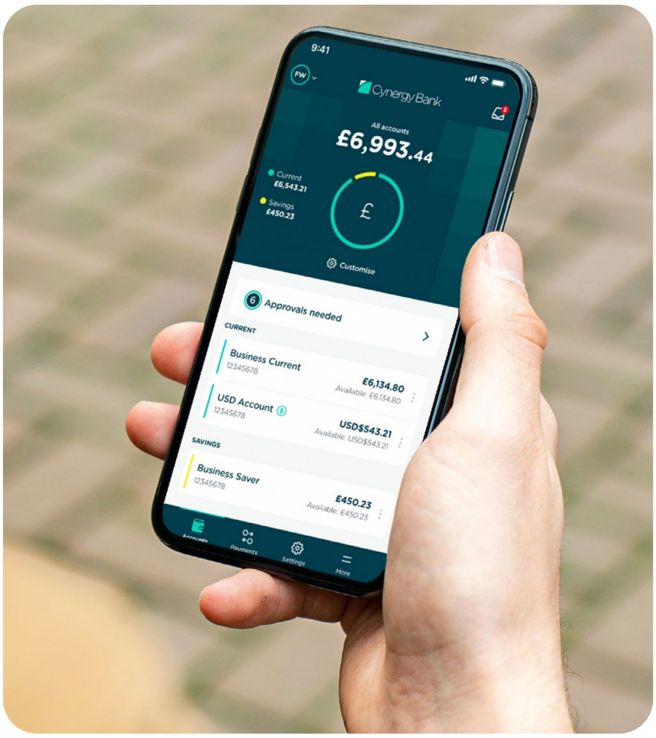
Our cost-income ratio excluding depreciation (due to the material investment in our Human Digital Bank) improved to 53% as our focus on operational efficiency and cost discipline reinforced our commitment to sustainable profitability.

Our credit controls remain strong, resulting in a drop in our cost of risk from 13bps in 2023 to 6bps in 2024. This further improvement highlights our effective risk management strategies and continued high quality of our loan book.

The Human Digital Bank

One of our priorities for 2024 was continued technology investment in our Human Digital Bank. We believe this model is the future of mid-market SME banking. By embedding the relationship manager in our app, we provide our SME customers with a seamless Human Digital blended experience. Process automation – including through AI – gives material time back to our relationship teams to be able to spend with customers, making our model more scalable.

Our fintech journey gathered momentum last year, with a number of high-impact projects delivered by our technology team. We continue to invest in our technology and digital capabilities including AI as we seek a leading position as a digital disruptor in the mid-market lending and SME banking spaces.



We've been delighted to gain recognition for our efforts, winning 10 prestigious awards, including:

- Moneynet Awards: Best Banking Brand and Best Variable Rate ISA Provider
- Savings Champion Awards: Best Easy Access Cash ISA Provider
- Money Comms Top Performer Awards: Best Easy Access Business Savings and Best Easy Access Cash ISA Provider
- Personal Finance Awards: Best Online Savings Provider
- Moneyfacts Awards: Best Bank Savings Provider
- Inclusive Employer Standard: Bronze
- The Times Money Mentor Awards: Best Cash ISA Provider

We were also recognised in the Fast Growth 50 Awards as one of the 50 fastest growing businesses in London and the UK. This was testament to the sterling efforts of our people, who each contributed to our growth and success.

To support recognition of the challenges faced by SME's we launched our Cynergy Bank Business Births & Deaths Index.

Environmental and social impact

Our ESG and sustainability strategies remain robust, with a focus on assisting our customers' transitions to greener outcomes; reducing our carbon footprint; supporting communities; and embedding climate management and governance into our culture. We remain committed to achieving net zero emissions by 2050.

Our EPC C+ loan product now makes up more than 51% of our residential investment lending book (up 5% on 2023), as we aim to support landlords in improving the EPC rating of their portfolios. We continue to support SMEs on this critical journey.

In 2024 we continued to support our nominated charity, Noah's Ark – a children's hospice service that delivers care to children with life-limiting or life-threatening conditions in the north and central London areas. Our colleagues embraced the opportunity to support the charity, taking on workplace fundraising initiatives, football matches, running events and personal challenges throughout the year. It's inspiring to see so many of our colleagues give their time to support such a worthwhile cause.

We also engaged with several programmes that focused on mentorship and skills sharing for students from underprivileged and under-represented backgrounds, including the Smart Future Programme, Business Education Events and the Early Careers Foundation.

Our people and culture

Despite the challenges they have faced, our team have remained focused, diligent and committed to providing a best-in-class banking experience for our customers – and I'm very proud of their significant achievements throughout the year.

Recognition has become a core tenet of our colleague experience, as we seek to build wider awareness of individual and team achievements. This year we launched our Appreciate platform, on which colleagues can directly thank their peers and give them recognition for behaviour that epitomises our PROUD values.

Our reverse mentoring programme has once again proven to be a great success, with a further cohort of colleagues engaging with the programme this year. We also relaunched our I&D Network with wider representation across the business; their educational events throughout the year have been very well received and attended by our colleagues.

Our work in this space is not going unnoticed: we achieved the Inclusive Employers Standard Bronze Award, as well as shortlisting in the Women in Banking & Finance Awards, EY Foundation Employer Impact Awards and the She Can Code Power Up Awards.

Thanks to our leadership team and their direct engagement with feedback from our colleagues, we have built a welcoming, supportive culture that enables our colleagues to thrive in a fast-paced and fulfilling environment. This has enabled us to attract and retain terrific talent, building on our strengths as we continue to grow.

The year ahead

As we look ahead to the priorities for 2025, we remain focused on three core deliverables:

- Lending growth to support more SMEs as they grow their businesses
- Funding Cynergy Bank through savings and current accounts in a cost-effective manner
- Continued development of our Human Digital technology platforms with a key focus on the role of AI

We are, of course, cognisant of the challenging environment in which we operate, with a level of economic and geopolitical uncertainty in the UK and further afield, including recent tariff announcements. We continue to monitor these developments and any impact on our strategy. I remain confident in our ability to continue to optimise our operating costs through technology investment while growing the business, and that our outstanding team will adapt to any challenges that may come our way, while retaining a laser-focus on delivering the best possible outcome for our customers.

I'd like to thank our customers, commercial partners and our people for their support. Together we will continue to build on our significant achievements.

Nick Fahy
Chief Executive Officer
23 April 2025

An award winning year

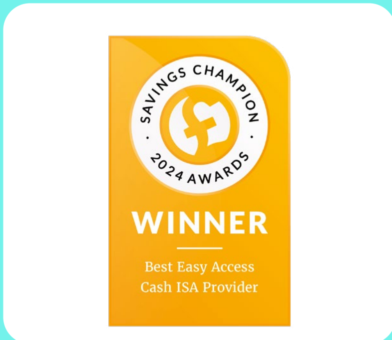
We won 'Best Online Savings Provider' at the Personal Finance Awards – for the fourth year in a row!

We picked up both 'Best Easy Access Business Savings' and 'Best Easy Access Cash ISA Provider' at the MoneyComms Top Performer Awards.

We were named 'Best Cash ISA Provider' at the 2024 The Times Money Mentor Awards.

We were awarded 'Best Bank Savings Provider' at the 2024 Moneyfacts Awards.

We were recognised in the UK Fast Growth Index 2024, highlighting our continued growth and commitment to supporting SMEs and savers.



And we were both awarded 'Best Easy Access Cash ISA Provider' and highly commended for 'Best Notice Account' at the Savings Champion Awards 2024.

Moneynet Awards 2024

We had a double win at the Moneynet.co.uk Awards 2024! Not only were we recognised as 'Best Banking Brand of the Year,' we also won 'Best Variable Rate ISA Provider' – for the fifth year running.

Inclusive Employer Standard Bronze

Inclusive Employers Standard
Bronze
Accreditation 2024

Business model

Our vision

As the UK's Human Digital Bank, we support entrepreneurs, business owners and mass affluent professionals by building enduring 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 understand that professional and personal lives often overlap, and so our mission is to help our customers achieve their ambitions by serving all their banking needs – providing rapid decisions on short-term finance needs, offering attractive returns on personal and business savings, and supporting transactional banking requirements or more complicated longer-term business lending.

As the Human Digital Bank, we look to balance excellent personal service with digitally enabled convenience and accessibility for every customer. We serve them through several digital channels, including our customer website, separate online banking website and mobile banking app. Customers with more complex, bespoke lending needs are helped in person through our offices in London, Birmingham, Manchester and Glasgow, and through our extensive introducer network.

We're owned by a consortium of investors, who are all experienced UK business owners with a focus on retail and medium-sized businesses. They've worked together for several years building successful business interests and investments in a variety of sectors, including retail, wholesale, property and financial services.

What makes us unique

Our Human Digital Bank model combines expert and bespoke customer relationship management and the full digitisation of traditional banking products.

While we continue to invest in technology to power competitive and accessible banking experiences, we also remain committed to building personal relations.

We've noticed that when it comes to supporting banking customers, there are some clear trends: digital banks focus solely on app-based delivery, while large banks adhere to a one-size-fits-all approach. In contrast, our Human Digital Bank model combines expert and bespoke customer relationship management with the full digitisation of traditional banking products, to deliver the right outcome for each customer.

We remain a bank focused on customers, people and enduring relationships.

Building enduring and genuine relationships with our customers remains at the heart of the products and services we provide. While using the latest technology to make our products and services easier to access and self-manage, we still make sure that customers can discuss more complex banking matters with a staff member (if that's what they prefer). We'll also continue to offer online customer service.

To make sure we match and exceed user expectations, we regularly review feedback from our customers about their experiences using our digital and in-person customer services.

Our business

As the Human Digital bank, we're using the latest digital technology to support excellent customer relationships and market-leading banking products and services.

With a new customer website, the launch of our mobile banking app, and the start of our online banking overhaul, 2024 was a key year for evolving our Human Digital business model, while strengthening and broadening our capacity to deliver.

Building enduring relationships, supported by the latest digital technology.

At the same time, we continued to review and improve all our products and services to make sure our customers are getting the best possible results.

Our product assessments include checking that any copy is written in 'plain English' and that our customer service and relationship manager teams are always easily contactable.

Our products and services fall into five categories, designed to serve the diverse business and personal needs of our customers.

Lending

Our bespoke property financing and business lending proposition, which targets growing UK SMEs, was further strengthened in 2024 through bridging and other product launches.

Private banking

High net worth products and services for UK families.

Personal bank accounts

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

Business bank accounts

Interest-paying accounts designed for growing SMEs in the UK. In 2024, we enhanced our product range with the launch of Business Current Account (January) and Business Notice Saver (November).

Asset-based lending

Our ABL arm, Cynergy Business Finance, provides funding against business assets (for example receivables, plant, machinery and inventory) for UK businesses seeking growth, acquisition or turnaround.

Our market

Our relationship-based banking model, with rapid and high-quality decision-making, is designed to serve the strategically important market segment of entrepreneurs, business owners and mass affluent professionals.

Numbering 5.5 million in 2024[1], SMEs remain the backbone of the UK economy. However, in 2024, continued high inflation and cuts to the Bank of England base rate put the financial health of this vital market segment under pressure.

We continue to review and revise our suite of business banking products and services with this climate in mind, knowing the value SMEs place on bespoke, person-brokered solutions, as shown by the ongoing shift away from high street banks to the more agile challenger banks.

[1]Source: Business Statistics, Research Briefing, House of Commons Library, 11 November 2024

Key needs of medium businesses

Grow my business

- I need financial and business support to help me grow my business.
- I can grow my business through additional funding against assets in my business.

Support family financially

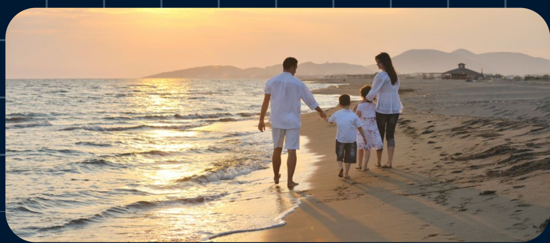
- I support my family's finance needs, such as our house, our cars, day-to-day expenses and holidays.
- As a trading SME, I help create jobs and wealth for my valued employees and their families.

Build and protect wealth

- I am a property entrepreneur and need quick decisions.
- I need a trusted advisor to support me with my property business.
- I have a trading business that requires asset-based lending to grow.

Support my community

- I enjoy supporting my community economically and socially.
- I want to connect with other entrepreneurs.



Maintain health and wellbeing

- I want my family and me to feel financially secure and have the time and space to enjoy the benefits of our hard work.

Our customers

Case study

Funding the future of sleep

Criterion Capital

Dream deals: fuelling Zedwell's hotel expansion

Criterion Capital is a leading real estate owner, developer and platform operator, specialising in converting obsolete buildings into vibrant, high-value and sustainable assets. From affordable residential apartments to lifestyle hotels, the company is redefining urban spaces. With a £25 million investment from Cynergy Bank, Criterion Capital has accelerated the expansion of its pioneering in-house hotel brand, Zedwell.

Criterion focuses on long-term value creation through acquisition, development, operation and retention. Criterion's hotel portfolio consists of 24 hotels with over 8,500 rooms across the UK, with a residential portfolio comprising 5,500 apartments across the UK and Europe. Commercial holdings total 50+ buildings in prime London locations, including Piccadilly Circus, Leicester Square, Mayfair, Trafalgar Square and Knightsbridge.

This funding will propel Criterion Capital's vision of redefining hospitality with its sleep-centric, design-forward hotel concept.

Zedwell hotels are urban sanctuaries, offering rooms – aptly named "cocoons" – designed to deliver the ultimate rest experience. With soundproof walls, floors and doors, body-cushioning mattresses, purified air and warm ambient lighting, guests can fully recharge before diving into the city's energy. Already a success in three central London locations, this investment will fuel the brand's rapid growth; transforming iconic city sites across the UK. Upcoming Zedwell retreats will soon debut in prestigious destinations and tourist hotspots including York, Manchester and Edinburgh.

Zedwell Greenwich

Omar Aziz, Director at Criterion Capital, said: "This £25 million equity release is pivotal in accelerating the Zedwell brand's UK-wide expansion. Working with Nishil and the Cynergy Bank team has been a pleasure. Thank you also to Vijay Parikh and the Harold Benjamin team for representing us. We are looking forward to turning prime sites in cities across the UK into vibrant and thriving hospitality assets."

Nishil Tanna, Relationship Director at Cynergy Bank, added: "We are excited to partner with Criterion Capital on this transformative journey. Their vision for Zedwell aligns perfectly with our commitment to supporting growth and we look forward to seeing their continued success as they bring Zedwell to some of the UK's most iconic locations."

For more information, please visit www.criterioncapital.co.uk.

Customer testimonials via Trustpilot:

Trustpilot

"We have worked with Cynergy Bank for a number of years. Their relationship approach to banking is fantastic and they take a very commercial approach to situations. We recently completed a refinance with them in a very short period with **great help from their team**. I would thoroughly recommend them."
December 2024

Trustpilot

"**Cynergy Bank Gold Star.** We've been with Cynergy Bank for quite a few years now. Especially in the recent years where they have included Mobile Banking. **We find them very professional and always polite.** Their savings rates are reasonable and we would recommend them."
December 2024

Environmental, social and governance report

- Reducing our carbon footprint
- Supporting communities
- Managing financial risk

Cynergy Bank

Environment (including climate-related financial disclosures)

Climate change and the transition to net zero carbon emissions have continued to be global priorities in 2024 and we remain committed to understanding our footprint and setting achievable targets to reduce our environmental impact.

These disclosures comply with the UK Streamlined Energy and Carbon Reporting (SECR) framework and the climate-related disclosure requirements set out in the Companies Act 2006.

In line with our commitment to enhancing the quality and transparency of our climate-related disclosures, we have commenced preparation of our first Transition Plan, which we intend to share separately in future reports, in accordance with the recommendations of the Transition Plan Taskforce. We also endorse the International Sustainability Standards Board's (ISSB) standards on sustainability-related and climate-related disclosures and are actively monitoring the progress and timelines for their adoption into a revised UK Sustainability Disclosure Requirements (SDR) framework.

Climate-related financial disclosures

Strategy

As a specialised bank committed to providing tailored banking solutions to SMEs, we recognise our responsibility to effectively address the growing threat of climate change. Also, as a lender, we acknowledge our unique position to contribute to advancements towards a net zero economy, benefiting not only our customers but also society at large. We understand that while our bank, our peers and the wider industry continue to make progress in this area, more effort is needed to proactively develop ESG strategies and then integrate them through businesses.

Our lending activities are the most significant source of climate-related risks and opportunities for us and so we've continued to concentrate in this area. To aid us further in improving our reporting quality, understanding and industry engagement, we've been an active part of PCAF (the Partnership for Carbon Accounting Financials), the leading global body for financed emissions methodology.

While our immediate efforts have focused on our more significant lending activities, we have an ESG strategy that has laid the foundations to deepen our coverage and understanding of all our emission-generating activities.

Our ESG strategy sets out four strategic actions:

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

This year, we continued to focus on the largest segment of our lending book: residential property investment. It accounted for 45% of our total lending book in 2024 with a broadly similar climate risk profile to other lending segments. From 2023 to 2024, the percentage of our residential investment lending book with an EPC certificate of C+ increased from 46.8% to 51.1%[1].

In 2024, we focused on improving the data quality of the inputs into our climate modelling, which puts us in a stronger position to analyse the other segments of our lending book – such as commercial investment property, which makes up 22% of our total book position, and trading businesses which made up 16% in 2024.

Governance

ESG and climate-related risks and opportunities are oversighted by our Board, with the ESG strategy updated annually and sustainability embedded in our overall banking strategy.

The Board oversees monthly reporting on performance against climate-related risk metrics as part of broader risk reporting. Other items, such as the new operational emissions reduction target, are also overseen and approved by the Board.

[1]The restatement and change in the percentage of EPC C+ in 2023 are a result of model and data improvements made in 2024, as detailed in the methodology section.

In 2024, we continued to better our understanding of our path to net zero ambitions, focused on making model and data improvements to our financed emissions and data matching models. Model governance was a particular focus, with financed emissions, transition pathways, transition scenario analysis as well as flooding and subsidence models all reviewed and approved through model risk governance.

ESG responsibilities are included in all colleagues' objectives to reflect the contribution of their work to our overall ESG strategy, with the ESG framework guiding the contribution that everyone contributes to our ESG goals.

Risk management

Climate risk is included in our risk taxonomy framework under strategic risk, recognising the interconnected nature of the risk. By developing credit policies and risk appetite statements, we have strategically aligned underwriting criteria to actively support lending to energy-efficient properties. As well as this, our framework helps customers transition their properties towards environmental compliance. For example, provision of EPCs for all properties is a requirement of the lending process.

As a diversified UK bank, we recognise our responsibility to play a role in helping customers reduce their environmental impact. It's important that we fully understand the carbon emissions and other environmental risks associated with our lending and financing activities. Engaging in financing activities with a positive environmental impact remains a focus of our ongoing sustainability efforts.

Recognising the significance and breadth of the risks related to climate change, we categorise them into two categories: transition risks and physical risks. Each of these main categories present unique challenges that must be managed to mitigate both financial and nonfinancial impacts on our work.

Transition risks

Transition risks are rooted in the process of adjusting to a low-carbon economy. They can be influenced by various factors, including:

- Developments in policy and regulation
- The emergence of disruptive technologies or business models
- Shifting sentiment, market and stakeholder preferences
- Evolving legal interpretations and reputational impacts

These developments have the potential to trigger material changes in operating costs or asset values while impacting credit exposure for banks and other lenders. As the costs associated with transitioning to a low-carbon economy become apparent, financial institutions must carefully assess and manage these risks within their operations.

The primary transition risk for the residential investment segment of our portfolio stems from regulatory factors. These comprise of two key components:

- The UK's commitment to achieving net zero emissions by 2050
- The carbon reduction targets established on the path towards reaching this goal

Zooming in closer, the key transition risk for our residential investment lending book is the need for greater energy efficiency to the housing stock (classed in the UK as improved EPC).

The cost of this transition risk is calculated by considering a range of emissions reduction scenarios and the related cost of upgrading properties to higher EPC bands. The costs of these upgrades are assumed to directly lead to an equal fall in the value of property prices.

Even in scenarios where emissions are assumed to be drastically reduced through the whole-scale upgrade of houses to EPC A certificates, such as in the net zero 2050 scenario, the overall cost of upgrading homes to significantly increased levels of energy efficiency by 2050 has been estimated to be c £115m. Given our maximum loan to value ratios across our lending book, this impact on property values would not create financial risk for us.

Our climate risk appetite statement is based on the proportion of our residential investment portfolio that must achieve an EPC rating of C or higher. This aligns with our goal of reducing the intensity of our financed emissions.

Physical risks

Physical climate risks are triggered by the impacts of a changing climate, which can lead to disruptions in business operations and increased capital and operating costs across various economic sectors. These risks can be categorised as either:

- Acute, arising from event-based hazards like storms or floods, or

- Chronic, resulting from progressive shifts in weather patterns, such as increasing water stress

In the UK, the Environment Agency has identified flooding (acute) and subsidence (chronic) as the most prevalent and costly physical impacts from climate change on the UK's property sector. The financial impact of these risks is expected to increase as the likelihood and severity of flooding and subsidence increases with global warming.

We analysed the properties we fund against flooding and subsidence risk maps (provided by the Department for Environment, Food & Rural Affairs, the Environment Agency and the British Geological Survey) to better understand the current impact on our lending book. The prevalence of risk in each UK region was also evaluated.

For our analysis the physical risk of flooding due to climate change is calculated by looking at a range of UN IPCC climate scenarios over three time periods (2023, 2030 and 2070). Using insurance information on the value of damage caused by flood events of different severities, a series of scalars was compiled considering the probability of different rainfall events, with 1 in 20 (5%), 1 in 50 (2%) and 1 in 100 (1%) probabilities of occurring. Flooding events from both surface water events and from rivers and seas were considered.

Potential losses between emissions scenarios and time-horizons appeared minimal per return period, implying that the potential damages incurred by extreme flooding events are more dependable on the severity of the event, irrespective of the emissions trajectory or time-horizon in which the extreme event occurs.

We concluded that even under the most extreme climate change scenario, with the most extreme flooding events that occur in surface water flooding, even over the long term, the estimated damage to residential investment properties in our book is estimated to be £10.6m, which in comparison to a book size of £1.6b presents a 0.7% potential loss. However, to manage the effects of flooding and subsidence risk, we have set limits in our book to ensure minimal impact.

The limits have been highlighted below:

	Flooding	Subsidence
Minimum % of the book to be in a negligible flooding/subsidence area	70%	70%
Maximum % of the book to be in a high flooding/ subsidence area	3%	15%

Whilst we understand there will not be substantial changes to physical risks, we analyse and monitor our book on a bi-annual basis to make sure we stay within the limits we have set.

Sectoral analysis

In 2024, we revisited our qualitative sectoral analysis and, despite minor adjustments in the sectoral composition of our portfolio, it remains fundamentally unchanged. That means our previously prioritised approach continues to apply. We conducted a qualitative assessment of our lending activities in the context of climate-related risks, drawing on data that detailed our total exposure by sector and industry, based on SIC codes.

For scenario planning, we used the late action scenario from the Bank of England's Climate Biennial Exploratory Scenarios. Under this scenario, the transition is delayed by a decade, becomes more disorderly, and results in global warming of 1.8°C by 2050. This assessment involved contributions from across our bank, including the first line of defence, credit risk, products and finance.

We undertook a qualitative review of each segment in our portfolio using a low-to-high scale for four transition risks (regulatory, technology, stakeholder and legal) and two physical risks (acute and chronic). A heat map summarises these transition and physical risk ratings by sector. Our largest area of exposure is residential property investment, which constitutes 45% of the portfolio. We have assessed this segment as having moderate transition risk and minor physical risk; accordingly, we have prioritised developing climate risk metrics for this part of the book in 2024.

Over time, we will enhance our analysis and incorporate quantitative scenario assessments. Currently, our initial findings suggest that the long-term effects of climate change are likely to be manageable without needing fundamental changes to our business model, performance or product range. In the near term, there are no negative effects on our financial performance, and our net zero strategy will continue to bolster our resilience as we monitor developments and adjust our approach.

Sector summary		Exposure summary		Climate risk assessment	
SIC/NACE category	Sector	At 31 December 2024		Transition risk	Physical risk
		%	£m		
Real estate activities	Residential investment (including development)	44.2%	1,628	Moderate	Minor
	Commercial investment (including development)	21.1%	776	Moderate	Minor
Accommodation and food	Accommodation	6.6%	244	Minor	Moderate
	Food and beverage service activities and other hospitality	2.4%	88	Minor	Moderate
Care	Care homes	6.1%	225	Minor	Moderate
	Healthcare and social work activities	1.1%	40	Minor	Moderate
Total lending to business sectors		**83.7%**	**3,083**		
Lending to private individuals	Home loans and personal lending	8.6%	315	Moderate	Minor
Total lending to private individuals		**8.6%**	**315**		
Cynergy Business Finance	Manufacturing (metal)	0.2%	7	Moderate	Minor
	Manufacturing (plastic)	0.2%	7	Moderate	Minor
	Freight transport	0.4%	13	Moderate	Minor
	Non-specialised wholesale	0.3%	10	Minor	Minor
	Specialised wholesale	0.1%	4	Minor	Minor
	Other	6.6%	243	Moderate	Minor
Total lending to CBF		**7.7%**	**284**		
Total lending		**100%**	**3,682**		

Metrics and targets

Operational emissions – Streamlined Energy and Carbon Reporting (SECR)

Between 1 January 2024 and 31 December 2024, we were responsible for 320.74 tCO_2e of scope 1 and scope 2 emissions, calculated in compliance with the UK Streamlined Energy and Carbon Reporting (SECR) guidelines.

Methodology

We've assessed the greenhouse gas emissions:

- Following the ISO 14064-1:2018 standard
- Using the latest emission conversion factors published by the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Business, Energy and Industrial Strategy (BEIS)
- Using the operational control approach

We've used a 'dual-reporting' methodology and reported scope 2 emissions on a location and market basis, reflecting the average emissions intensity of grids where energy consumption happens (using mostly grid-average emission factor data). We've also measured and reported where renewable energy was used.

For scope 3 category 6 (business travel) emissions, we calculated output via actual distance travelled in cases where data was available, and actual expenditure where distance data was not available. UK Defra 2024 emission factor sets were then used to work out tCO_2e emitted.

For scope 3 category 7 (employee commuting) emissions, we've included the effect of commuting and homeworking where our employees have the option to work from home for two days of the week. The amount of space they use in their homes is used to calculate the emissions they produce while working from home and added as part of our employee commuting emissions. The emissions were calculated via a staff survey which asked for details of their commute and type of transport used, as well as their homeworking environment. This was combined with working patterns and a distance-based methodology using relevant DEFRA or IEA emission factors to calculate the greenhouse gas output.

Our scope 1 emissions from heating and own transport have significantly reduced due to the consolidation of our two London offices into our more efficient One New Change site.

Where we have reported our scope 2 emissions on a market basis, this consists of 100% renewable energy purchased for our One New Change site and partly renewable energy purchased for our Southgate site. The 100% renewable electricity supplied is backed by Renewable Energy Guarantee of Origin certificates externally verified to ISAE 3000 standard.

For 2024, we have reviewed and revised the methodology for our operating emissions calculations. We have improved the data quality and obtained missing information where we previously used estimates.

Operational emissions reduction target

As part of our overall transition pathway to net zero we set ourselves an absolute operational emissions reduction target for our scope 1 and 2 emissions of 50% by 2030 from a baseline year of 2023. We are on track and expect to review and increase this target as our One New Change office is fitted with air source heat pumps which will eliminate all use of natural gas in our sites. This is due to be completed by 2026. This is the result of a longer-term action to relocate from two less efficient sites to one central site, and while our energy consumption has not greatly declined, we have significantly increased the capacity and comfort of our office space, and emissions have reduced from 0.48 to 0.35 tCO_2e on an average FTE basis.

Financed emissions

As part of our long-term strategy, we have committed to achieving net zero emissions by 2050, complemented by interim targets for 2030. Specifically, by 2030 we plan to reduce emissions intensity in our residential investment lending portfolio by 21%. We have switched the transition pathway to the UK's Climate Change Committee (CCC) 6th Carbon Budget balanced pathway to net zero – which requires a 28% reduction by 2030. Given the current policy landscape we don't believe it would be possible to achieve the full science aligned target, so have used a bottom-up approach to reach our 21% target. If the policy environment becomes more conducive to rapid changes in building energy efficiencies, we'll review our 2030 target again.

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

*As a result of the updates we have made, our 2023 figures presented above have been revised and restated.

In 2024, we continued to prioritise working towards our reduction targets on our residential property investment lending book as they cover 45% of our total book. We deployed model improvements where the scope of our improvement is broken down further in our methodology section.

The next prioritised segment of the lending book where we will calculate the financed emissions is commercial investment property. It makes up 22% of our total lending book – the second largest segment.

Methodology

Our focus in 2024 was to enhance our emissions model to increase our data quality to enable us to better estimate the scope and intensity of our financed and absolute emissions within the residential property investment segment of our book. We integrated a property-centric data aggregator provider, which enabled us to increase the match of properties in our residential property investment book to their corresponding EPC ratings, improving our EPC match from 65% in 2023 to 67% in 2024. Importantly, this also lays the foundation for commercial investment property analysis, increasing the corresponding EPC rating match from c20% to c50%.

We continued to use the industry standard PCAF methodology for calculation of both our residential investment segment of our portfolio financed emissions and our corresponding absolute emissions intensity. Financed emissions consist of an attribution factor multiplied by building emissions to reach a financed emission figure. Absolute emissions intensity of the portfolio consists of the total absolute emissions over the total floor area of the residential investment segment of the portfolio.

As a result of the changes in the methodology, we have restated our 2022 baseline and 2023 figures to be consistent with 2024. In line with PCAF requirements, our data quality score for our residential property investment emissions calculations was 3.4.

In 2024 we increased the percentage of EPC C+ lending by 4.3% in the residential property investment segment of our book and achieved a reduction in our absolute emissions intensity. We continue to be committed to reducing our absolute and financed emissions in line with our reduction pathway and will continuously make model improvements and data quality enhancements as they become available.

	2024	2023	2022
Lending			
Total book lending (£bn)	**3.7**	3.6	3.3
Residential investment lending (£bn)	**1.7**	1.7	1.5
Emissions			
Residential investment emission intensity (kilograms CO_2/m^2)	**23.26**	22.57	23.02
Proportion of residential investment book with an EPC rating of C+ or above (%)	**51.1**	46.8	43.9

Social

We want to have a positive impact on our customers, colleagues and local communities, and have made sustained progress against our social goals.

Our people strategy aims to transform ways of working, using technology to drive colleague engagement and efficiency. This approach is grounded in our mission and vision statements, which reinforce our commitment to our people.

Our colleague mission:

To create a culture which empowers our people, celebrates success and allows all colleagues to feel a sense of belonging. Through our digitally enabled frameworks we will attract, develop and retain our people, 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:

- Inclusive and diverse leadership: a diverse, cohesive and collegiate team of capable 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
- 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

With regard to inclusive and diverse leadership, we are committed to improving diversity across our leadership group.

Although we're 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 and 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. Our aspiration is that the diversity of our Board and Senior Leadership should reflect our wider team and the communities we serve.

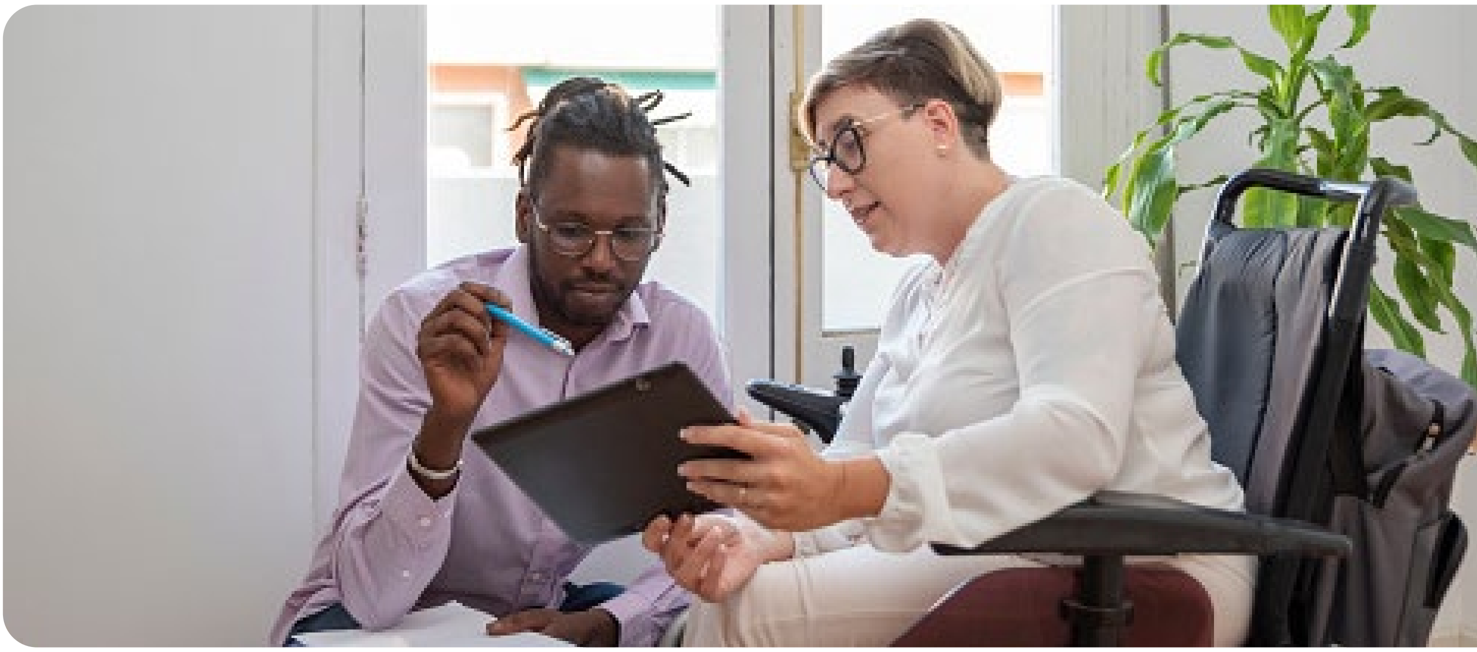
The Bank has set a longer term aspiration to meet a 33% target for female representation at Senior Leadership level and above. We will do this by aiming to make year on year progress towards this. We have implemented a range of mechanisms to drive this agenda forward including mandatory diverse interview panels for all senior hiring activity, strongly recommending diverse shortlists from our recruitment partners (50/50 gender balance) and our technology enables us to anonymise CVs to remove demographic identifiers, allowing us to conduct blind hiring at the shortlisting stage.

We have established a good internal pipeline of female talent in the firm, supported by robust succession planning and leadership development initiatives. Our values-driven approach provides a strong foundation for further advancement. Like many organisations, our commitment is long term and one that we will continue to build on to ensure our progress is meaningful and authentic, which aligns to our key values.

In December 2024, our performance in relation to these targets was as follows:

- Female representation on the Board: 22%
- Female representation in Senior Leadership: 24%
- Directors of minority ethnic background on the Board: 2

Our mean (average) gender pay gap has decreased in recent years from 37.0% in 2020 to 25.8% in 2024.



People highlights in 2024

We launched our new recognition platform – Appreciate – to promote and strengthen our focus on being values driven and recognising our colleagues. This new peer-to-peer recognition approach will allow us to drive a culture of appreciation, recognition and celebration through our PROUD values, which remind us how to grow and achieve results in the right way. Our values are part of what we do every day and help us address any issues affecting engagement:

- Putting the customer first
- Risk front and centre
- Opportunity, empowerment and innovation
- A united team that's inclusive and diverse
- Doing the right thing

Our approach to cultural development is multifaceted and data driven, as we continuously strive to understand where we excel and where we have opportunities for growth. As we move forward, we remain dedicated to nurturing a culture that reflects our values and empowers our people.

- We employ a range of mechanisms to gain deep insights into our organisational dynamics and to ensure Consumer Duty permeates all aspects of our cultural development. This includes periodic impartial assessments of our culture and a new culture and behaviours survey we introduced as a pulse check this year to complement our annual engagement survey cycle
- We launched the roll out of Emergenetics across the organisation, a powerful tool designed to enhance our understanding of individual and team dynamics. This scientifically validated psychometric assessment will be a cornerstone of our ongoing commitment to fostering a productive, collaborative and innovative workplace culture and environment
- We took good care of each other by promoting our employee assistance programme, to make sure all our people can get support when they need it
- We re-launched our mental health champion initiative, expanding the coverage of support available to colleagues in need
- All our people have to complete mandatory training on ESG, Consumer Duty, conduct rules and inclusion and diversity

We paved the way for succession health and diverse future leadership, by supporting the latest cohort of leaders to develop through the Enterprise Leaders programme. This initiative empowers high-performing aspiring leaders from diverse backgrounds through tailored coaching and engaging masterclasses. Participants also had the unique opportunity to work on strategic projects as part of the shadow Executive Committee.

- We've continued to develop robust succession plans for critical and moderate critical roles to support career paths into leadership roles for diverse talent
- We re-launched our performance management framework, capturing both the 'What' and the 'How' to ensure effective measurement of our overall delivery, not just in what we achieve, but how we achieve it too (while also demonstrating our PROUD values). We also introduced mandatory ESG and inclusion and diversity (I&D) objectives for all colleagues so we can hold ourselves accountable

Together, we achieved the Inclusive Employers (IE) Standard Bronze Award, an evidence-based workplace assessment and accreditation for I&D. This recognition celebrates our collective commitment to inclusion and diversity and the progress that we have made. We also received additional external recognition throughout the year:

- Thanks to our social impact initiatives, we were shortlisted for the second year running in the Best SME DE&I Innovation (Gender Equity) category at the Women in Banking and Finance (WIBF) 2024 Awards for Achievement
- We were nominated by the EY Foundation for the Southern Employer Impact Award for taking part and supporting the EY Foundation and Chartered Banker Institute's Smart Futures Programme
- We were shortlisted for the She Can Code Power Up Awards in the prestigious Editor's Choice category in recognition of the achievements of our internal I&D Network, People and Culture team and wider colleague engagement in our I&D initiatives

We empowered colleagues from underrepresented backgrounds with our second cohort of participants taking part in our reverse mentoring programme led by our I&D Network. Colleagues from various diverse backgrounds have been matched with senior leaders and Executive Committee members.

- We re-launched our I&D Network with wider representation across the business, championing and leading initiatives, events and educational programmes in support of our I&D strategy
- We successfully implemented an advanced Applicant Tracking System that not only streamlines our recruitment process but also leverages anonymized CVs to promote unbiased candidate evaluation
- We continued our diversity data drive and exceeded the targets set out in our I&D strategy for voluntary diversity data disclosure
- We continued our partnerships with WIBF and IE, hosting events and webinars to support colleagues personally and professionally

We kept colleagues informed and made sure all our voices are heard, with clear communication about our strategy, priorities and mechanisms for feeding back to the Board, Executive Committee and Senior Leadership team.

- Our CEO updates all colleagues on progress and answers questions in Teams calls once a month, smaller face-to-face sessions twice a year and occasional celebration events
- Teams have regular huddles and check-ins

84% of our colleagues feel optimistic about the future of the Bank, 75% are proud to work here, and 85% believe we are committed to creating a diverse and inclusive organisation. We are a listening organisation and experiment with ways to hear from colleagues – we have supplemented the more traditional engagement survey this year with new ways of gathering feedback and hearing from colleagues. Those include a new more interactive culture and behaviours survey, open door sessions with ExCo and senior leaders and interactive strategy feedback sessions. We're looking to close gaps on areas we want to do better in and where colleagues tell us we can do more. We share our story on LinkedIn and promote positive feedback and perceptions of our brand using Glassdoor.

We're proud that our teams continue to feel engaged and positive about both our current progress and future plans, and we remain grateful of everybody's efforts to make this a great place to work.

In the years ahead, we're committed to our colleague mission and vision, underpinned by key pillars of a healthy values-led culture and an engaged and digitally enabled team who believe in I&D and are socially responsible and community minded.

We'll keep monitoring gender and ethnic diversity among our Senior Leadership team and working to reduce our gender pay gap. And while we have made significant progress, we will continue to push for better-quality demographic data from our colleagues on a voluntary basis, to give us more insight and allow us to create informed and tailored initiatives for our people.

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, and this is reflected in our ESG strategic action plan to support our people and communities.

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

Community highlights in 2024

Our people volunteered and helped raise funds throughout the year for Noah's Ark, our long-standing nominated charity partner. Noah's Ark Children's Hospice provides a community-based hospice service 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 and even skydives in aid of Noah's Ark and other charities throughout the year
- We match employee fundraising for charitable causes
- We match regular donations to colleagues' chosen charities through our Give As You Earn scheme
- All our people are eligible for two days of paid leave each year to volunteer with charities close to their hearts

We helped out students from underprivileged backgrounds, with work experience, mentorship and skills sharing. We launched our first in-house work experience programme hosting students from a local school. This programme provides students from disadvantaged socio-economic backgrounds with the opportunity to experience the world of financial services, build connections and support our local community.

- We took part in the EY Foundation and Chartered Banker Institute's Smart Futures Programme for a second year, hosting students across our London and Manchester offices to support them in developing skills, make connections and discover opportunities and career pathways to financial services
- We continued our partnership with Business Education Events (BEE) and sponsored a mock interview event, with colleagues using 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 for mock interviews and presentation skills and business development events
- We partnered with the Early Careers Foundation to support reducing the impact of socio-economic inequality on young people in the UK. Our first cohort of mentors have started supporting young people through the foundation to build their confidence and develop employability skills

Governance

Board
Responsible for overseeing the embedding of the ESG strategy within the Bank

Board Risk Committee (BRC)

Board Audit Committee (BAC)

Remuneration, Nominations & Corporate Governance Committee (RNCGC)

Conduct & Risk Committee (CRC)

Executive Committee
Responsible for management of climate-related issues

ESG Steering Group
Senior Leadership team overseeing reporting and all initiatives to deliver the ESG strategy

As a bank, we're aware that delivering a successful ESG strategy is only achieved through embedding sustainable practices in our day-to-day decision-making processes and core values.

Our Board is ultimately responsible for setting, overseeing and embedding the ESG strategy within the organisation. This year, we have continued to focus on the core deliverables of our ESG strategy. This means we've continued to meet and work with our ESG sponsor and Non-Executive Director Neil Fuller on a regular basis and our Executive Sponsor Ravi Sidhoo – our Managing Director of Originations. At Executive Committee level we've held discussions specifically about the ESG and sustainability issues affecting our work, regularly updating the Board on our progress in implementing new deliverables, such as our operational emissions reduction target.

We believe every colleague within our organisation is responsible for and plays a pivotal role in helping shape the future of ESG within our organisation. In 2024, all colleagues had an ESG objective, reflecting how everyone contributes to our overall strategy, and how we're embedding that strategy into our day-to-day operations. This is in addition to mandatory training modules related to climate risk that are part our annual training for all colleagues, to highlight the importance of fostering a culture of environmental responsibility.

As we grow and mature in the ESG space, we will strive to update and develop methods to further embed our ESG responsibilities into the fabric of our operations. We've created the table below to summarise the roles and responsibilities each committee has in helping us shape the future of our ESG impact:

The Board is responsible for:

- Overseeing sustainability risks and opportunities, including financial risks and opportunities from climate change
- Approving our sustainability strategy
- Overseeing progress towards our sustainability objectives and commitments

The Risk Committee is responsible for:

- Overseeing the integration of ESG into our enterprise risk management
- Overseeing sustainability risk metrics, key performance indicators, financial disclosures and climate stress and scenario analysis

The Audit Committee is responsible for:

- Overseeing sustainability disclosures, reporting, controls and compliance

The Remuneration, Nominations and Corporate Governance Committee is responsible for:

- Considering sustainability performance in executive compensation
- Overseeing inclusion and diversity and employee matters

The Executive Committee is responsible for:

- Overseeing the development and periodic update of our ESG strategy, and monitoring and challenging the objectives and targets we set in relation to it
- Reviewing ESG content and data to be published in the annual report and accounts and making recommendations to the Board as appropriate
- Together with the Conduct and Risk Committee, overseeing the management of ESG risks
- Monitoring overall execution of our sustainability agenda

The Conduct and Risk Committee is responsible for:

- Overseeing, and recommending to the Risk Committee, Cynergy Bank’s analysis of and approach to financial risks from climate change, including climate scenarios
- Reviewing and monitoring physical and transition risks from climate change in the context of Cynergy Bank’s short-, medium-and long-term strategy and objectives

Our customer promise

We know that 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 UK's Financial Services Compensation Scheme up to £85,000
• **Rapid decisions:** our experts are empowered to make fast decisions that you can rely upon	• **Direct access:** 24/7 access to your accounts via online banking and our mobile banking app, as well as help from our knowledgeable UK-based customer service team

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

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 provides independent assurance of our commitment to safeguarding the confidentiality, integrity and availability of customer information. This certification further demonstrates that we have implemented controls designed to mitigate information security threats, support regulatory compliance, and maintain stakeholder trust.

Business continuity

We are ISO 22301:2019 certified for Business Continuity Management, which confirms that we follow and achieve the recognised business processes, applications, people and supporting infrastructure standards, as audited by the British Standards Institution.

Anti-corruption

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

Whistleblowing

We want all our colleagues to be aware that they can raise any concerns they might have in a secure and safe manner without fear of recrimination. That's why we have dedicated channels through which any such reports can be made.

Taxation

Our taxable income is generated wholly within the UK, and we comply fully with all tax obligations, cooperating fully and openly with tax authorities when required. You can find more details on how we ensure compliance with tax laws and filing obligations at cynergybank.co.uk

Health and safety

We take the health and safety of our employees very seriously. We regularly test our working environments to make sure all our colleagues are working in a safe environment, whether in the office or at home, so they can provide our customers with 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 in allowing us to provide the level of service to our customers that we do. We are committed to treating all of our suppliers fairly and, in return, expect all of our suppliers to share our commitments to our customers.

Corporate governance report

Cynergy Bank

Board of Directors

Euan Hamilton,
Chair
Appointed to the Board
in March 2016

Euan was appointed as Chair in June 2021 following the retirement of Philip Nunnerley.

He was a Director, Restructuring and 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 has undertaken roles including Non-Executive Chairman of Resolute Asset Management Holdings (Malta) Ltd and Non-Executive Director at AIM-listed Accrol Group Holdings plc during the year. He is a Fellow of the Chartered Institute of Bankers in Scotland.

Kim Rebecchi,
Senior Independent
Non-Executive Director,
Appointed to the Board
in May 2017[1]

Kim worked at Leeds Building Society for 28 years, most recently as the Sales and Marketing Director and an Executive member of the Board.

During the year, in addition to her roles on the Cynergy Bank Board, she was also a Director of Furness Building Society and Redmayne Bentley, Investment Managers. She also holds the Financial Times Non-Executive Diploma.

Kim is a Fellow of the Chartered Institute of Bankers and she holds a postgraduate diploma in financial services.

[1]Directors appointed before November 2018 were appointed as Directors of the Bank of Cyprus UK, before continuing as Directors of Cynergy Bank following the acquisition by Cynergy Capital Limited in November 2018 and the rebrand to Cynergy Bank in December 2018.

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

Nick has been Chief Executive Officer of Cynergy Bank since December 2015. He is a highly experienced financial professional, having worked in the banking sector for over 20 years across the UK, Ireland and Australia.

During his tenure as CEO, he has overseen the acquisition of Bank of Cyprus UK by Cynergy Capital Limited in November 2018 and the rebrand to Cynergy Bank in December 2018.

Nick has ambitious plans for the future of Cynergy Bank. He is actively working to grow our franchise across enterprising business owners and savers in the UK, and to redefine banking with the Human Digital Bank proposition.

Nick joined Cynergy Bank from the Westpac Banking Corporation, where he was State General Manager for their retail and business banking operation in Western Australia. Before 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 MD for the bank's UK-wide Post Office financial services operation.

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

Mike has a wealth of banking, financial management, audit and regulatory experience having spent 30 years as a senior audit partner with PwC. During his career, he 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. He is also a Non-Executive Director of Societe Generale International Limited.

Mike is a Fellow of the Institute of Chartered Accountants and a Non-Executive Director of SG Kleinwort Hambros Bank, the UK private bank of Societe Generale. He is also acting Chairman of SG International Limited.

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 in the hospitality and real estate sectors, both in the UK and overseas. He has been involved with complex real estate transactions and has extensive experience in deal structuring, financing and successfully monetising projects. Bal is an entrepreneur and has depth of experience in the residential, commercial development and financial markets.

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

Pradip is the CEO of Dhamecha Group, cash and carry food wholesalers serving some 10,000 independent retailers in the London and the Midlands areas. He is responsible for the strategy and overall performance of the Dhamecha family business.

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

Catherine held several senior executive roles at AIB Plc, including as Head of Business Banking and of Strategy & Product Development for the Retail Bank. Catherine has extensive non-executive director experience including as Chair of the Board of AIB Corporate Finance, Chair of AIB's general insurance business and President and Chair of Dublin Chamber of Commerce. She currently holds non-executive positions with PTSB Bank, RSA Insurance and Saburai Consulting Limited. Catherine holds a BComm, in Banking & Finance, is a Chartered Director (IOD), a Certified Bank Director and a Fellow of the Institute of Bankers in Ireland.

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

Neil has over 38 years' experience in retail banking and financial services. He 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. Before that, he 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 RBS and NatWest. Neil's experience and knowledge of risk management in the financial services sector has enriched and further strengthened the Board. Neil is an independent Non-Executive Director of Leeds Building Society and is the Chair of the Leeds Building Society Board Risk Committee.

Board and committee attendance

Attendance at Board and committee meetings is set out below. The number of meetings each member was entitled to attend is shown in parentheses.

There are several ad hoc working sessions and workshops outside the calendar where Directors also attend. During months when no Board meeting takes place, the Directors are provided with key performance reports. When Directors are unable to attend meetings, they still receive the relevant documentation, and any questions or comments are submitted to the meeting by the Chair.

Changes to the Board

During the year, the only change to the Board was the appointment of Stefano Combi as Chief Finance Officer. Stefano was appointed on 24 December 2024 and took his position on the Board in January.

Work of the Board

During the year, in addition to its review of standard reports, the Board considered and approved a number of significant matters. These included the Bank's conversion from a private limited company to a public limited company, the approval of the 2023 Report and Accounts, and the endorsement of the phase two approach to Consumer Duty implementation.

The Board further reviewed and approved the Basel 3.1 planning, the Bank's Recovery Plan, and the Anti-Modern Slavery Statement. In addition, the Board approved the Corporate Strategy extending to 2027 and the 2024 ILAAP.

The Board of Directors has delegated a number of its responsibilities to five Board committees as set out on the following pages.

Directors	Board	Audit Committee	Risk Committee	RNCGC
Euan Hamilton	8(9)	–	9(10)	5(7)
Balbinder Sohal	7(9)	–	–	5(7)
Kim Rebecchi	9(9)	6(6)	6(10)	7(7)
Michael Newman	9(9)	6(6)	10(10)	–
Pradip Dhamecha	5(9)	–	–	4(7)
Nick Fahy	9(9)	–	–	–
Neil Fuller	9(9)	6(6)	10(10)	–
Catherine Moroney	9(9)	–	10(10)	7(7)

Board Audit Committee

The Board Audit Committee monitors the integrity of financial reporting and oversees Cynergy Bank's compliance, internal and external audit and financial crime functions. It reviews and monitors the external auditors' independence and objectivity and the effectiveness of the audit process and advises the Board on whether the annual report and accounts are fair, balanced and clear.

Membership is restricted to Non-Executive Directors, and the Board Chair is not permitted to be a member. The Committee is chaired by Mike Newman, a Non-Executive Director who has substantial experience in auditing.

Its terms of reference include:

- Reviewing the adequacy of provisions for expected credit losses and other provisions
- Monitoring the effectiveness of our internal quality control and risk management systems and our internal audit
- Reviewing whistleblowing arrangements
- Receiving and considering internal audit reports and approving the internal audit plan
- Approving any exceptions to policy requests
- Ensuring the effectiveness, performance and independence of the outsourced internal audit and the external audit process
- Appointing the external auditors and approving their remuneration
- Ensuring compliance with applicable legal and regulatory requirements
- Reviewing the critical estimates to be included in the year-end accounts, including our modelling of expected credit losses under the International Financial Reporting Standards (IFRS) 9 – Financial Instruments

Matters the Board Audit Committee dealt with during the year included:

- The compliance annual report
- The Financial Crime and Money Laundering Reporting Officer (MLRO) report
- Related parties disclosures
- The 2024 financial statements and external auditors' report
- IFRS 9 expected credit loss provisions
- Pillar 3 disclosure
- IT controls update
- Certain exceptions to policies

In addition, the Committee reviewed management's internal statements to confirm compliance with relevant regulatory requirements, oversaw model governance and approved the internal audit plan and reports as well as the external audit plan.

At least once per year and with no non-members present, members meet separately with the external auditors, MLRO, Compliance Director and BDO LLP, our outsourced internal audit partner, to discuss financial, risk, compliance and audit issues.

Board Risk Committee

The Board Risk Committee plays a key role in setting Cynergy Bank's risk appetite and strategy and ensuring compliance with risk management strategy, policies and regulations. The Committee is also responsible for reviewing our internal risk management framework and its integration with our decision-making process, covering the whole spectrum of our activities and units as well as any subsidiaries. Its terms of reference include:

- Reviewing internal control systems
- Monitoring regulatory compliance and important regulatory correspondence
- Approving changes to lending and other key policies
- Reviewing the adequacy of capital and liquidity in light of the results of stress testing
- Approving our recovery plan
- Reviewing our internal capital adequacy
- Reviewing ESG metrics, roles and responsibilities
- Overseeing the expansion of credit policies for Cynergy Business Finance, our asset-based lending subsidiary

The Committee consists entirely of non-executive members, the majority of whom must be independent. Neil Fuller, a Non-Executive Director, chaired the Committee during 2024.

Matters the Board Risk Committee dealt with during the year included:

- ILAAP stress testing and the ILAAP report
- The risk appetite statement and risk appetite framework
- Various new product risk assessments
- Policies and credit risk reporting
- Recovery plan
- Credit policy reviews
- Capital plan
- ICAAP

Remuneration, Nominations and Corporate Governance Committee

The RNCGC leads the process for Board appointments and plays a key role in assisting the Board to fulfil its responsibilities – in relation to Directors' development and succession planning, and to corporate governance policy and compliance. The RNCGC also reviews our policy on remuneration, including considering and recommending to the Board the overall policy for the remuneration of employees across Cynergy Bank and determining the remuneration of the Non-Executive Directors. It also recommends to the Board and monitors the level and structure of remuneration for senior management and other key personnel.

Its terms of reference include:

- Recommending appointments to the Board and the Executive Committee
- Reviewing corporate governance arrangements and making appropriate recommendations to the Board
- Monitoring the composition of the Board to make sure that a broad set of skills and experience are represented there along with a strong independent element
- Agreeing targets for appropriate diversity on the Board
- Ensuring that Directors have enough time to perform their duties effectively
- Ensuring that there are adequate resources for the induction and training of members of the Board
- In performing its duties, and to the extent possible, taking account of the need to ensure that the Board's decision-making is not dominated by any one individual or small group of individuals
- Overseeing the annual performance evaluation of the Board and its sub-committees, including annual assessment of the effectiveness of the Chair and individual Executive and Non-Executive Directors
- Reviewing the nomination process in relation to the appointment of senior management and making recommendations to the Board, where necessary

The committee was chaired by Kim Rebecchi (the Senior Independent Director) during 2023 and consists entirely of Non-Executive members, including the Shareholder Representatives Pradip Dhamecha and Bal Sohal.

Among the matters the RNCGC considered in 2024 were:

- The employee engagement survey results
- Long-term incentive plan awards
- Remuneration policy update
- The gender pay gap report
- Review of job grade structure and benefits
- The Board diversity policy
- The culture dashboard
- Changes to the corporate governance policy
- New Board and senior management appointments

The Committee also looked at succession planning for the Executive Committee and CEO

Board Credit Committee

The Board Credit Committee is responsible for considering any lending proposals that are outside of Cynergy Bank's risk appetite statement. The committee meets as required. Members are Euan Hamilton (Chair), Neil Fuller and Nick Fahy.

IT & Resilience Board Sub-Committee

The committee oversees the delivery of the IT strategy. It also provides more detailed oversight and challenge of major IT-related projects within Cynergy Bank, and consequential impacts on Cynergy Bank's overall strategy, for referral to the Board. In addition, the sub-committee oversees responses to the regulator following annual periodic summary meetings. Meetings are organised on an ad hoc basis as projects progress to critical stages.

The sub-committee is chaired by Euan Hamilton with current members being Neil Fuller and Kim Rebecchi. Regular attendees include the independent IT consultant, the Chief Digital & Information Officer, the IT Director and, where relevant, the Compliance Director.

Executive committees

At executive level, risks are overseen and managed by a number of committees.

Credit risk, which is the risk that customers will be unable to repay their borrowings and will fail to perform under their contractual commitments, is managed through credit policies, credit approval procedures and controls, and analysis in relation to quality, sector and geographical area. The risk is monitored by the Conduct and Risk Committee, which meets monthly.

Information security and cyber risk is also monitored by the Conduct and Risk Committee.

Capital, liquidity, cash flow and market risks are monitored at executive level by the Asset and Liability Committee, which meets monthly, and its sub-committee, which meets weekly.

The People Committee, which meets at least quarterly, monitors resources risk in terms of our people and succession planning.

Other executive committees include the Executive Credit Committee (which considers requests for new advances), the Model Governance Committee, Pricing Committee, the Products and Services Committee and the Transformation Committee.

More information on risk management is set out in note 30 of the financial statements.

Executive Committee and Senior Management

Board of Directors

The Board of Directors has ultimate responsibility for the management of our work and oversight of senior 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) and annual budgets after review by senior management
- Ensuring the adoption and maintenance of 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 treating customers fairly and to maintaining an ethical leadership

The Chair is an Independent Non-Executive Director. Members of the Board of Directors are appointed by the Board on the recommendation of the Remuneration, Nominations and Corporate Governance Committee (RNCGC) and 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 2024.

Principal activities

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

Financial results

Cynergy Bank's results for the year ended 31 December 2024 are set out in the income statement on page 83, showing profit after tax of £40.2m (2023: £40.6m). The Directors endorse the information and views set out in the Chair's statement, the Chief Executive Officer's 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 2026. 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 the Bank's ability to continue as a going concern.

The 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
- 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, 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 ensure the availability of resources needed to support planned growth initiatives
- Stress testing of capital and liquidity planning undertaken during the 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 macro economic environment
- Operational risks: the processes in place to manage operational risk, including that relating to business continuity, operational resilience, reliance on outsourced suppliers, change management and information security/cyber risk

There is a statement of the Directors' responsibilities in relation to the financial statements on page 45.

Capital

Cynergy Bank has complied in full with all its externally imposed capital requirements over the period reported. Further information on how we manage capital is included in the risk report on page 58.

Liquidity

Cynergy Bank manages liquidity with an internal methodology which fully meets and exceeds the regulatory liquidity coverage ratio (LCR) measure. During 2024 Cynergy Bank fully met all its regulatory liquidity requirements, including the LCR and net stable funding ratio. Further information on how we manage liquidity is included in the risk report on page 58.

Dividends

Cynergy Bank did not pay a dividend in 2024 (2023: £nil).

Future developments

During 2024, the Board reviewed and updated the strategic plan to 2027 with a continued focus on delivery of the Human Digital Bank.

People

Cynergy Bank employed an average of 388 permanent employees during 2024 (2023: 363). During the year, Cynergy Bank invested £425,625 (2023: £419,133) in employee development.

Streamlined Energy and Carbon Reporting (SECR)

Disclosures required under the SECR guidelines are set out on page 21 of the ESG report.

Board of Directors

Full details of the Board of Directors are on pages 36–37.

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 £1,000 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.

Cynergy Bank plc is also the immediate owner of 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.

Events after the reporting period

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

Charitable donations

During 2024, Cynergy Bank made charitable donations totalling £16,077 (2023: £80,185).

Political donations

During 2024, Cynergy Bank did not make any political donations (2023: £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.

Re-registration as a public limited company

On 13 May 2024, Cynergy Bank Limited was re-registered as a public limited company and changed its name to Cynergy Bank plc. The re-registration as a public limited company does not affect the Bank's operations, existing obligations, or regulatory status.

Disclosure of information to the auditors

So far as each person who was a Director at the date of this report is aware, there is no relevant audit information (that is, information needed by the auditors in connection with preparing their report) of which the auditors are unaware. Having made enquiries of fellow Directors and Cynergy Bank's auditors, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 for the prevention and detection of 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,

Paul Jordan
Company Secretary
23 April 2025

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 decision 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 desirability of the company maintaining a reputation for high standards 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 (as set out on pages 38-42) governs the conduct of the Board and the executive team and is vital to our success. The Board annually self-evaluates its performance, and 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.

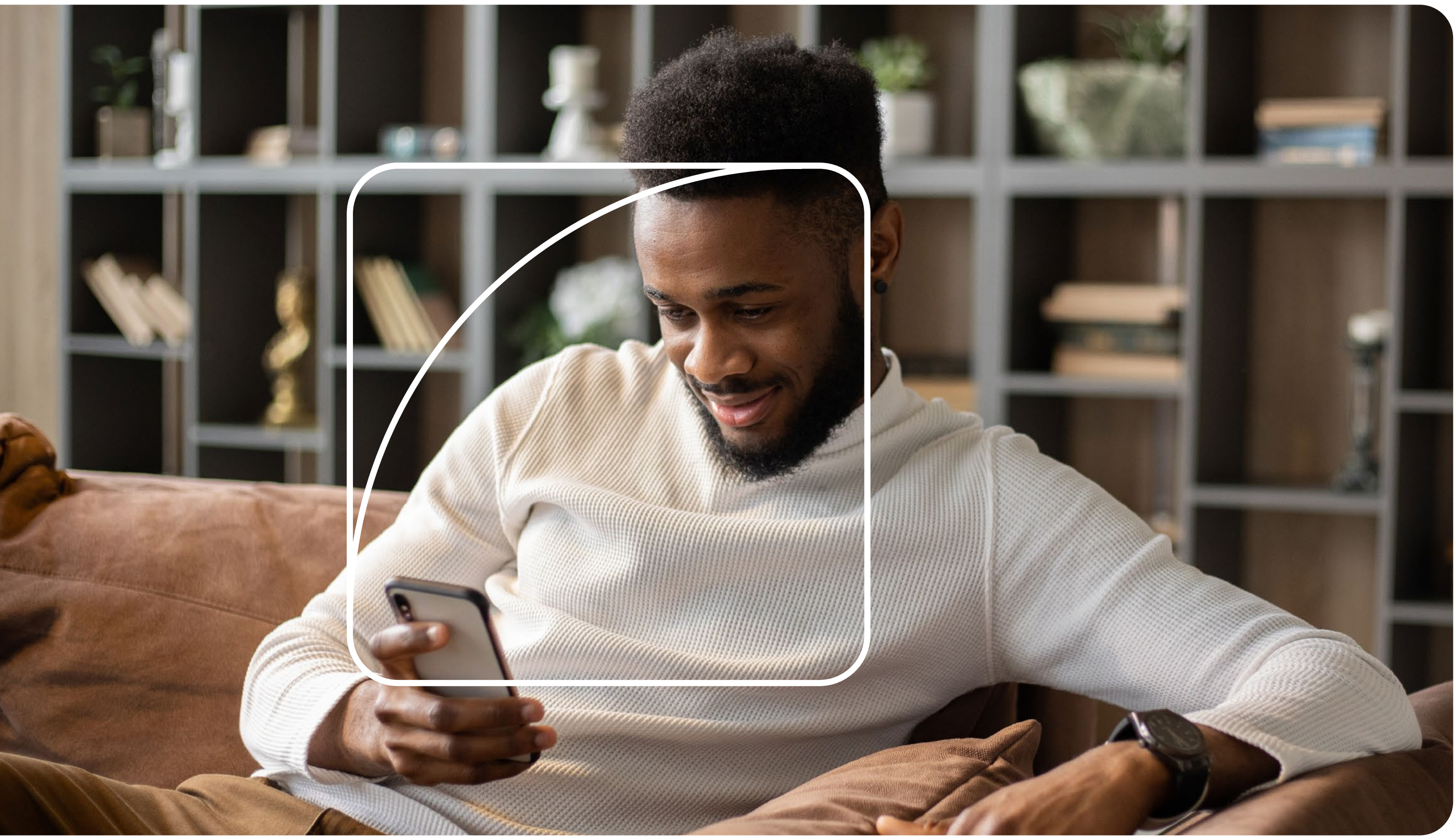
When making decisions, the Board always looks at any impacts on stakeholders. This is not always easy and sometimes requires a degree of balancing between the competing interests of different stakeholders while looking to try to treat everyone as fairly as possible.

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

Customers

Customers faced a year of high interest rates for most of 2024 which benefited our savings customers but meant that many of our lending customers sought the protection of fixed-rate products. We have continued to invest in technology to help our customers whatever the product they may have with the Bank. New products such as Loan-on-loan and Club Lending were added to our product range during the year as well as Business Notice Saver and a new Business Current Account.

Our net promoter score (NPS) remained strong during the year at +55 with a Trustpilot score of 4/5.



Suppliers

During 2024 work has continued to refine the Bank's supplier base in order to obtain efficiencies and optimise our ways of working with trusted suppliers. The team continues to monitor the supplier base and reports to the Executive Risk Committee and the Board Risk Committee on any issues in relation to the supply chain.

Colleagues

During the year our team grew to 373 employees, driven in the main through the desire to expand and improve specialisation in the lending Acquisition team.

A new recognition scheme, "Appreciate", has been introduced in order that colleagues can recognise the support or excellent response of co-workers through a central platform.

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

Work continues on both the Board diversity targets and those of Cynergy Bank as a whole. As of December 2024, we had female representation on the Board of 22%, female representation in Senior Leadership of 24% and two Directors of ethnic minority background on the Board.

Environment

Climate change continues to be a major focus for us due to the significant risk to the finance sector. We are committed to addressing environmental matters in all aspects of our business and will work jointly with our customers, colleagues and suppliers to achieve these goals and achieve net zero emissions by 2050.

We continue to support our SME borrows to achieve enhanced EPCs on their properties with our EPC C+ loan now accounting for 51% of our residential investment book.

Communities

We continue to partner with Noah's Ark Children's Hospice, and this year the money raised went towards supporting the charity in its work to give 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 Regulatory 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 and the compliance team manages the day-to-day relationships. The Board is kept appraised of key regulatory developments and interactions with regulators at each Board meeting.

Over the course of the year, we have had dialogue with both regulators which were overseen by the Board in respect of several topics, such as the annual periodic summary meeting, liquidity review, ILAAP and ICAAP returns.

Members of the Board are provided with regular updates on regulatory developments, and both Board members and senior staff attend regulatory training sessions. The executive team also subscribes to key industrial groups and participates in activities organised by such groups 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 also take part as members of 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 process, 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 23 April 2025 and was signed on its behalf by:

Nick Fahy
Chief Executive Officer
23 April 2025

Corporate information

Directors

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

Euan Hamilton[2, 3, 5, 6] – *Chair*

Nick Fahy[4, 5] – *Chief Executive Officer, Executive Director*

Kim Rebecchi[1, 3, 5, 6] – *Senior Independent Non-Executive Director and Chair of the Remuneration, Nominations and Corporate Governance Committee*

Pradip Dhamecha[3] OBE – *Non-Executive Director*

Bal Sohal[3] – *Non-Executive Director*

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

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

Neil Fuller[1, 2, 5, 6] – *Independent Non-Executive Director and Chair of the Board Risk Committee*

Other senior executives

Rana Bhattacharya[4] – *Chief Digital & Information Officer*

Andrew Creamer – *Compliance Director*

Martin Fent[4] – *Chief Risk Officer*

Claire Head[4] – *Chief People & Culture Officer*

Sharon Maguire[4] – *Chief Operating Officer & Chief Product Officer*

Ravi Sidhoo[4] – *Managing Director – Origination*

Ted Winterton[4] – *Portfolio Management & Cynergy Business Finance*

1 Member of the Board Audit Committee

2 Member of the Board Risk Committee

3 Member of the Remuneration, Nominations and Corporate Governance Committee

4 Member of the Executive Committee

5 Member of the Credit Committee

6 Member of the IT & Resilience Board Sub-Committee

Company secretary

Paul Jordan, Solicitor

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Registered office

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

Locations

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

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112 Colmore Row, Birmingham B3 3AG

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

Scotland
2 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 private company limited by shares.

www.cynergybank.co.uk

Risk report

Cynergy Bank

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 supports us in fulfilling 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 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 (ERMF) and corporate governance policy establish an effective and clear framework and governance structure to make sure potential risks to our business model and future performance are appropriately mitigated.

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. Adherence 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-level committees, including the Conduct and Risk Committee, Asset and Liability 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 chooses to accept in pursuit of our strategy.

Linkage between business strategy and risk management

Our business strategy is linked to both the risk strategy and the ERMF. 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 structured 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, 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 Conduct and Risk Committee or Asset and Liability Committee and reported to the 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 that 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 and resolution plans, 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 ERMF 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 account of learnings 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.

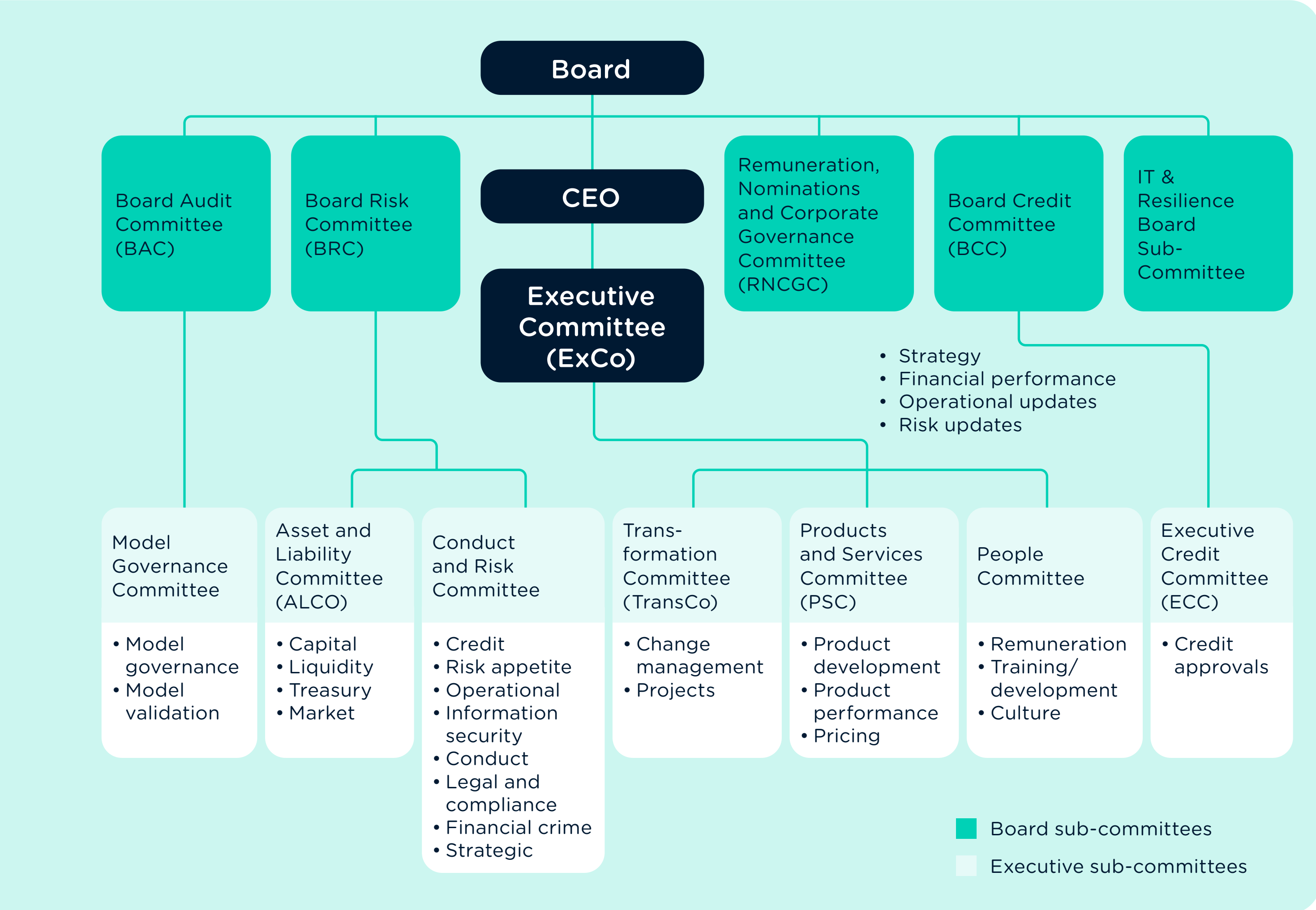
Risk governance

Our corporate governance framework sets out how the Board oversees risk management.

The Board periodically reviews its own composition and skills. The most recent review was completed in 2024.

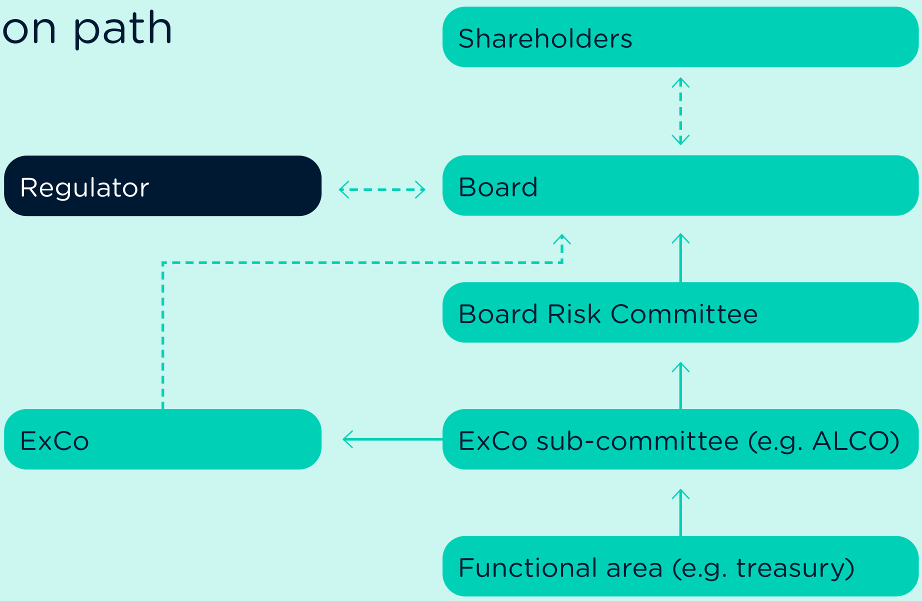
Board members and members of the executive team hold specific Senior Manager Function (SMF) responsibilities under the Financial Conduct Authority's (FCA) Senior Managers and Certification Regime. Other staff are certified under the regime as Material Risk Takers. We require our SMF holders to periodically attest that they have met their obligations as SMF holders and that, collectively, they cover all the duties the FCA expects of us.

We have a defined structure of Board and executive-level sub-committees, and each committee has its own terms of reference. The main risk governance committees are organised as follows:



The reporting and escalation elements of the ERMF make sure that appropriate actions are taken in a timely manner. The objective of risk reporting is to escalate relevant risk information that enables 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 the following escalation pathway:

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 and a strong commitment to ethical and responsible business behaviours.

Our Board is responsible for setting the tone from the top and making sure there is a strong risk culture across the whole organisation. The Board agrees a set of risk culture statements and senior management supports these by:

- Leading the implementation of the ERMF
- Making sure it is fully embedded with a strong focus on the adherence to risk appetite, monitored through its suite of risk appetite metrics and key risk indicators

The risk culture detailed in the ERMF also aligns to our values and supports 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 clearly 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. This first line includes all individuals that onboard risk into the bank, including those that enter into business transactions or supplier arrangements with customers/third parties, as well as 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 consists of the 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 engaging business units in identifying, measuring and mitigating 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 undertakes independent oversight activity and reports its findings to senior management via the Executive Committee, the Conduct and Risk Committee or the Asset and Liability 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

2024 overview

The risks we describe in this section 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 new 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-related risk

Economic and geopolitical uncertainty resulting from the changing macroeconomic environment remained a notable feature in 2024. We continued to focus on asset quality and supporting customers facing potential financial stress as a result of the challenging economic landscape and higher interest rates. We refreshed our lending product offering in the year to create more diversified opportunities to support our customer base.

In response to the ongoing challenges in the economic environment, we've maintained our focus on affordability in our lending decisions to make sure our lending policies and credit models remain appropriate and aligned to customers' behaviours. We've completed regular portfolio reviews to make sure our risk appetite and control environment are still appropriate.

We've continued to carefully scrutinise our liquidity and funding risk, which remains heightened thanks to the increasingly competitive consumer deposit market, alongside persistently higher interest rate rises during the year. 2024 saw us launch new products to diversify our funding sources.

We continue to access funding via the Bank of England's Term Funding Scheme (TFSME) and Indexed Long-Term Repo schemes to meet liquidity requirements. With the TFSME scheme winding down from 2025, we're taking steps to source alternative (and more diversified) liquidity sources through the strategic period.

Operational resilience remained important and 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 2025.

Change management continued as a key risk in 2024. The Human Digital Bank transformation programme made progress during the year, with further progress planned for the year ahead. Oversight of this transition is a key risk priority for 2025 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 the bank and its subsidiaries. During the year, we worked extensively to further embed Resolver in line with our plans to mature the enterprise risk management framework; this will continue in the year ahead.

As well as identifying risks across their respective business lines, senior management has 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.

2024 update

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

Economic uncertainty remained a challenge in 2024. While some customers' business models and lending exposures saw increased stress throughout 2023, we saw stability in arrears across our core loan portfolio. Provisions have improved during the period with an overall reduction in individually assessed Stage 2 and Stage 3 impairments.

We're proactive about supporting our customers. Our credit policies allow us to identify customer stress early and apply customer support strategies. We reviewed our watchlist process in 2024 and the overall volume of customers requiring closer support reduced over the year. We seek to agree prompt and appropriate action plans for customers who are having difficulty.

Following the Bank's strategic shift towards mid-market lending and the introduction of new products in late 2024, manual underwriting processes were maintained to ensure lending transactions were appropriately assessed, preserving the Bank's credit risk profile.

Our legacy bridging loans portfolio, which was launched just months before the onset of the pandemic, has been wound down to a residual two exposures, which have been individually assessed under IFRS 9 for expected credit losses.

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 56%.

Risk appetite statement

Cynergy Bank must maintain and control a low 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

	Definition
Credit quality risk	The risk of disproportionately high credit losses arising as a result of lending to customers exhibiting 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.

Examples of 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.

2024 update

We remain 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 Asset and Liability Committee (ALCO) and the Board. Capital ratios are monitored and managed through monthly reporting to ALCO.

We held surplus regulatory capital during 2024 and are forecast to hold a surplus during the forecast strategic period through to 2027.

ALCO 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, diversifying into the business savings market during the year. The liquidity coverage ratio has continued to exceed the regulatory requirements throughout 2024.

We have arrangements in place to maintain adequate 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 2024, notwithstanding the funding costs driven by the increased 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 SDDT regime for capital purposes.

Risk appetite statement

Cynergy Bank has a low appetite for capital, liquidity and funding risk. We will maintain a sufficient level of 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

	Definition
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.

Examples of how we mitigate and control these risks:

- We set a prudent risk appetite which 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 and regularly report to the Asset and Liability Committee and Risk Committee
- We have a capital planning framework which requires us to maintain appropriate levels of capital in a range of stressed scenarios
- 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 rely on a small range of products and maturities
- Liquidity resolution, recovery and contingency plans are developed alongside the ICAAP and ILAAP and detail the action we will take 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.

2024 update

Interest rates remained at a persistently high level for most of 2024, with a few months of easing towards the latter part 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 increases had a positive impact on our income generation during 2023. These benefits subsided slightly during 2024 off the back of some reductions, with 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.

Due to the interest rate increases, we increased the amount of lending to customers on fixed rate products, with £1,965/54% of loans provided on a fixed rate as at year end 2024. We adopt a hedging strategy, such that fixed rate loans are matched to interest rate swaps or designated liabilities throughout their duration. We oversee this strategy through carefully monitored risk appetite metrics.

We are closely managing these challenges. Our market risk appetite ensures that market risk is managed and monitored to reduce the risk of instability of earnings.

Risk appetite statement

Cynergy Bank has a low appetite for market risk (IRRBB and FX 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 use IR swaps and FX swaps to hedge our market risk exposure where required to remain within our approved prudent risk appetites.

Supporting risks

	Definition
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.

Examples of 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 PRA's guidance on credit ratings
- We set a risk appetite for market risk that is monitored and reported to the Executive Committee, Asset and Liability Committee and 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 and, where mismatches exist that are outside of our risk appetite, our treasury function actively hedges the exposures to match the repricing dates of assets and liabilities and any currency exposure
- In 2023, we used 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.

2024 update

The following operational risk themes were high on our agenda through 2024:

Operational resilience:

- We have made significant progress in strengthening the Operational Resilience framework to ensure regulatory compliance by March 2025
- We have a defined Operational Resilience Strategy and Policy; with business continuity plans tested regularly
- We have set out recovery time objectives for our important business services to mitigate customer impacts from service disruptions
- We maintained our business continuity certification (ISO 223001:2019)

Suppliers and outsourcing:

- 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
- Our contract management system has been enhanced with an updated Business Owner handbook and training provided
- We have made further progress with our digital transformation programme to deliver the Human Digital Bank. Key achievements include the introduction of new mobile app functionality. Our transformation programme is supported by a governance structure and risk oversight programme, which ensures that all risks and issues regarding the delivery of the programme are tracked and reported

Information security/cyber risk:

- We continued investing in information security controls to strengthen the detection, response and recovery and anti-penetration measures we use to prevent and mitigate the impact of IT security breaches
- Colleagues continue to get regular training and information about information security

People risk:

- Organisational change has been a feature of the strategic period, with careful and considered management response to make sure impacts are being mitigated

Data risk:

- We reviewed and updated our data governance frameworks, policies and supporting controls
- A data governance plan is underway that recognises our priority to embed the data governance policy more deeply for the forthcoming strategic period

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	Definition
People risk	The risk that we are unable to recruit sufficient people to achieve our strategic objectives. The risk of not creating a strong talent pipeline, employment value proposition and 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/outsourced providers fail to execute processes correctly, resulting in financial loss and/or customer detriment.
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

	Definition
Model risk	The risk that our models are designed incorrectly, are based on inaccurate data, 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.

Examples of 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 standard
- 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/system intrusions
- The effectiveness of our controls is overseen by our IT security forum and we employ specialist IT security staff
- 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 Risk Committee and the Conduct and Risk Committee
- We have a Model Governance Committee and model governance framework
- We have a vendor management and outsourcing framework, which uses a risk-based approach to categorising outsourcing risk
- We have established 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.

2024 update

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

During the year we continued to pay careful attention to how we approach borrowers and savers faced with a more uncertain interest rate and inflationary environment – and supported those customers facing financial difficulty.

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

We implemented frameworks, supporting systems and controls to meet the FCA's Consumer Duty deadline in 2023 and these were fully embedded with phase 2 during 2024 for closed book products. We've made significant preparations for these new regulations, overseen by the Conduct and Risk Committee and Audit Committee. In support of this, as part of the steps to comply with the duty, we:

- Carried out an organisation-wide review to make sure the Consumer Duty is embedded into the culture of the business
- Introduced specific management information
- Introduced a price and fair value framework
- Refreshed our product and services governance framework

Customer complaints are continually monitored so we're able to ensure we deliver 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

	Definition
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.

Examples of how we mitigate and control these risks:

- We have a conduct risk management framework supported by relevant policies and procedures, as a core component of our strategic plans
- We set conduct risk appetite and key risk indicators that are reported to the Conduct and Risk Committee, Audit Committee and 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 Conduct and 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
- New and emerging regulatory-driven changes are overseen through a formal horizon-scanning (emerging risks) process
- 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.

2024 update

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

In 2024, 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

	Definition
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.
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.

Supporting risks	
Sanctions risk	The risk of financial loss, regulatory sanctions or reputational damage caused by a failure by us 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 caused by a failure by us 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.

Examples of how we mitigate and control these risks:

- We set risk appetite and key risk indicators that are reported to the Conduct and Risk Committee and the 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 regulatory-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.

2024 update

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 and appetite have all been updated to account for prevailing economic forecasts. We have taken measures to adapt our strategy to a higher interest rate environment. This included 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 congruently, and this has affected the nature of market risk and conduct risk we are managing.

All our credit policies are regularly reviewed considering market conditions. During the year we saw adjustments to account for the sustained higher interest rate environment. We took steps to adjust our policies and procedures to appropriately support customers facing the early stages of financial difficulty.

Environment, social and governance (ESG) framework: we made progress with further embedding our overarching ESG framework during 2024. 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 risks from climate change 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 where we operate. The stability or fragility of our franchise, our governance, our strategy and the quality of our management are all indicators that could combine to increase or reduce the overall risk to Cynergy Bank. Therefore, we must manage these factors prudently.

Supporting risks

	Definition
Business Model Risk	The risk that our business model falters or fails to keep pace with the industry. The economic risk of the environment where 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.
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/liquidity minimum requirements.

Examples of 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 sub-committees
- We use stress tests to flex core business planning assumptions to assess potential performance under stressed operating conditions
- We set specific strategic risk appetite metrics that are reported to the 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:

Risk	Assessment	Approach
Geopolitical uncertainty	Global political uncertainty is heightened. The Russian invasion of Ukraine followed by active conflict in the Middle East, along with the result of the US presidential election, has and will continue to cause uncertainty within the global supply chains and the UK economy. The impact of sanctions, global inflation, tariffs and potential trade wars, and reduced economic growth, together with the impact of the potential for sustained higher savings interest rates, present us with strategic, credit and operational risks.	We have considered a range of severe but plausible scenarios as part of our stress testing. These have informed our capital, liquidity and funding plans. We recalibrated the pace at which we execute our strategy as a result of these risks. We continually monitor our strategy and risk appetite metrics in the face of these uncertainties. We have invested in operational capability and capacity to keep our important business services resilient in the event of prolonged global uncertainty.
Regulatory change and intervention	We operate 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 key changes: **Basel 3.1 Strong and Simple Regime** Basel 3.1 is a new set of rules about capital adequacy, now in consultation and due to come into effect in 2027. Simultaneously, the PRA is creating a more specific regulatory regime for small domestic deposit takers (SDDT). These changes could result in new or increased capital requirements for smaller banks, including us. We will need to take steps to transition to the scheme of choice. The Bank applied for the Modification by Consent to become an SDDT and received approval on 17 January 2025. As a result, we are not required to publish Pillar 3 disclosures as at 31 December 2024 and will submit only a simplified retail deposit ratio instead of a full Net Stable Funding Ratio (NSFR) going forward. The Bank has also submitted Modification by Consent applications for both Cynergy Capital Ltd and Cynergy Bank plc under the Interim Capital Regime (ICR). If approved, this will allow the Bank to continue operating under the existing CRR2 framework until SDDT adoption.	We set up a project team to focus on assessing the capital and other prudential impacts on us, to inform the consequences of the final consultations and to take appropriate steps to transition to the scheme of choice. We've made significant preparations for these new regulations, overseen by the Conduct and Risk Committee and Board Audit Committee. This included an organisation-wide review to embed Consumer Duty into our systems, controls and culture.

Risk	Assessment	Approach
Regulatory change and intervention (continued)	**Consumer Duty** This set of three cross-cutting rules and a new (Principle 12) 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.	
Change and operational resilience	Our strategy depends on successfully delivering significant change. We have to balance our growth ambitions with the rapidly changing market conditions and economic forecasts. We have to adapt our suite of lending and deposit products to reflect the changing needs of our customers. This has increased the operational risk and change risk we face. Maintaining operational resilience is a priority. PRA Supervisory statements 1/21 (operational resilience: impact tolerance for important business services) and 2/21 (outsourcing and third-party risk management), published as complementary documents, set expectations that we will look beyond normal measures to prevent incidents. We are expected to plan and test our response to and recovery from, and provide contingency arrangements for, disruptions that would affect customers' access to important business services. This affects all material third-party contracts, with demanding requirements related to our use and oversight of outsourced arrangements. As several of our key services are outsourced, and outsourcing arrangements will continue to increase as part of the Human Digital Bank strategy, making sure our service providers' performance is satisfactory is an essential part of ensuring operational resilience.	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. We've invested in additional specialist capability and developed an operational risk and resilience roadmap to make sure we meet the emerging regulatory requirements. We are embedding our vendor risk assessment process. We have tools to monitor suppliers' and vendors' performance and reduce the risk and impact of incidents arising from outsourced activities and supplier arrangements. We have contingency plans for all material contracts. We've implemented the findings of independent assurance work to monitor and manage the risks associated with outsourcing critical services.

Risk	Assessment	Approach
Uncertainty of interest rates and the economic outlook for the UK economy	As a UK-centric bank, the uncertainties around the UK economy remain due to interest rate uncertainty. Alongside this the recent change in government has generated uncertainty until policies are confirmed, which continues to influence our ability to deliver our strategy. The medium-term impact of these adjustments on the UK economy remains unclear, but prolonged periods of uncertainty within the UK and global economies may affect the performance of certain segments of our lending portfolio, leading to higher impairments. A rapidly changing and volatile interest rate environment may affect our ability to adequately manage our earnings risk. Marked movements in interest rates pose a material risk to our earnings. Customers' expectations of higher rates, coupled with increased market competition, may require us to offer higher rates to retain customers and meet our liquidity and funding requirements. The reality of high levels of unemployment, high energy prices, high inflation and interest rates, plus issues with global supply chains, imposes significant credit and operational challenges. Maintaining a competitive proposition, in the face of cost pressure resulting from the elevated inflationary environment, could result in a net interest margin squeeze that has a negative impact on our earnings.	We've carefully reviewed our market risk appetite and calibrated our risk capacity to allow for a greater proportion of our loan book to be provided on fixed rate products. We monitor market risk through a range of risk appetite metrics, overseen by the Asset and Liability Committee and Board Risk Committee. We use regular stress testing to examine the risk to and impacts on our balance sheet from changes in economic conditions, including higher interest rates and loan impairments. Our strategy is periodically reviewed and calibrated to the results of these tests in line with the requirements of our risk management framework. We emphasise asset quality, preparing to support customers facing potential financial stress because of the changing economic landscape and higher interest rates. We have scrutinised liquidity and funding risk, which has increased thanks to the changing landscape in the consumer deposit market, following the year's significant interest rate increases. We launched new products in the business savings space to diversify our funding options, and, at the same time, protect against margin erosion. We continue to access Bank of England funding schemes as part of our liquidity diversification. We stress test our resilience to short, sharp interest rate movements and manage our risk exposure to these potential scenarios within Board-agreed appetite levels. We use the results of these stress tests to plan for potential scenarios so we can adapt our strategy and reduce earnings risk accordingly.

Risk	Assessment	Approach
Broader range of competitors and intermediation	Competition in our selected markets arises from a range of sources, including traditional challenger banks and mainstream lenders. The emergence and growth of fintechs, non-bank lenders and new entrants from outside of the financial services sector, with increasingly sophisticated digital offerings, heightens competition. This competition could compress margins and slow growth, both of which are key drivers of our profitability.	We invest in ongoing customer, market, competitor and industry insight to understand our customers' needs and how we compare with peer group competitors. Recognising the pace of change in the banking industry, including the consequent impact on customers' expectations, we have a strategic change programme that will provide infrastructure, enhanced capability and the ability to adapt and launch new products, features and services in an agile and cost-efficient way.
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, means that it is also classed as an 'emerging' risk. Our regulators are also focused on cybersecurity. New regulatory requirements around digital platforms, outsourcing services and operational resilience are likely to emerge. Furthermore, the increasingly rapid deployment of digital solutions in our markets creates several potential wider digital risks: 1. Accelerating digital technologies, which could lead to labour shortages if we can't upskill our people to use them 2. The pace of digital transformation and the threat of emerging digital disruption 3. Overall cyber-security and privacy visibility	To keep pace with the ever-changing cybersecurity landscape, we introduced new security services including, among other things, a 24/7 Security Operations Centre (SOC) and Security Information and Event Management (SIEM) system. To support our colleagues, cyber-security training and phishing simulations are conducted 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 ensure we can introduce and transition any new technology in a secure and supportable manner. We've also upgraded programme management and adopted component-based implementation alongside simplified monitoring tools. In addition we've also 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.

Financial statements

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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 2024 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 2024; the consolidated and company statement of profit or loss; the consolidated and company statement of comprehensive income; the consolidated and company statement of changes in equity and 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 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) (group and parent)

Materiality

- Overall group materiality: £3,878,500 (2023: £3,495,000) based on 1% of Net Assets
- Overall company materiality: £3,684,000 (2023: £3,300,000) based on 1% of Net Assets
- Performance materiality: £2,908,900 (2023: £2,621,600) (group) and £2,763,000 (2023: £2,475,000) (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.

Recognition of revenue on loans and advances (EIR adjustments), which was a key audit matter last year, is no longer included because of a reasonable change in the effective interest rate (EIR) assumptions, including behavioural life and interest rate assumptions would not have a material impact on the EIR adjustment. Otherwise, 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) (group and parent) As at 31 December 2024 the total value of allowance for ECL was £28.8 million (2023: £33.6 million) (group) and £25.1 million (2023: £25.2 million) (parent). Refer to the accounting policy note 3.11: Impairment of financial assets, 3.12: Collateral Valuation and Note 12: Credit (gain)/loss on financial assets. 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: • the assessment of significant increase in credit risk (SICR) • there is a heightened risk in the individually assessed Stage 3 loans, where key assumptions evaluated include expected future cash flows and valuations of collateral where relevant, and weightings applied to scenario outcomes.	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. We tested, on a sample basis, the critical data elements and inputs used in model calculations. We independently recalculated critical model components and re-performed the calculation of modelled ECL using management's data. **Significant increase in credit risk (SICR)** We assessed SICR methodology against IFRS 9. This included an evaluation of the methodology to assess whether the methodology appropriately reflected various macro-economic factors, as well as the criteria set by management for determining whether there had been a SICR. We tested staging criteria assessments, on a sample basis and with reference to underlying evidence, to assess whether loans were categorised into the appropriate stage. **Individually assessed Stage 3 exposures** We reviewed, on a sample basis, the circumstances relating to the financial condition of individually assessed Stage 3 exposures. We challenged management on the appropriateness of the significant assumptions and the weightings applied to the scenario outcomes. Where applicable, we engaged our valuation experts to assess the collateral valuation methodology, time to sale and cost of sale used by management in calculating the impairment provision. As part of our testing of the scenario probability weightings implemented, we considered the reasonableness of the weights assigned to the scenarios and made a comparison to the expert guidance available. 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 specializes 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 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	£3,878,500 (2023: £3,495,000)	£3,684,000 (2023: £3,300,000)
How we determined it	1% of Net Assets	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 focused 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 £3,815,000. However, our audit work is performed using the lower component materiality of £3,684,000 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 £3,296,000 to £3,684,000.

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% (2023: 75%) of overall materiality, amounting to £2,908,900 (2023: £2,621,600) for the group financial statements and £2,763,000 (2023: £2,475,000) 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 £184,200 (group audit) (2023: £175,000) and £184,200 (company audit) (2023: £175,000) 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;
- evaluation of the liquidity resources held, and the maturity and diversification profile of customer and bank deposits;
- evaluation of the liquidity facilities available to the company, for example from the Bank of England;
- 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 the going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

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

Strategic report and Directors' report

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

In light of the knowledge and understanding of the 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:

- Enquiries of management and those charged with governance regarding instances of suspected or known instances of fraud and non-compliance of laws and regulations;
- Critically assessed significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers adjustments for evidence of bias (see related key audit matters above);
- Identified and tested selected journal entries that we considered to represent a heightened risk of fraud, including journals with unexpected (unusual) account combinations;

- Incorporated unpredictability into the nature, timing and/or extent of our testing;
- Read PRA and FCA correspondence; and
- Read minutes of the Board and Board Audit Committee 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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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

Following the recommendation of the Board Audit Committee, we were appointed by the members on 5 July 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2019 to 31 December 2024.

Ajay Kabra

Ajay Kabra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2025

Consolidated and company statement of profit or loss

For the year ended 31 December 2024

	Note	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Interest income calculated using the effective interest method	5	**312,777**	**298,848**	276,395	268,323
Other interest and similar income	5	**57,827**	**57,827**	41,559	41,559
Interest expense calculated using the effective interest method	6	**(191,478)**	**(191,437)**	(128,355)	(128,346)
Other interest and similar expense	6	**(48,550)**	**(48,550)**	(34,811)	(34,811)
Net interest income		**130,576**	**116,688**	154,788	146,725
Fee and commission income	7	**3,089**	**1,288**	2,606	1,012
Foreign exchange gains	8	**712**	**676**	42	150
Fair value (loss)/gain on hedging instruments	17	**(204)**	**(204)**	2,110	2,110
Other income		**473**	**473**	–	–
Total operating income		**134,646**	**118,921**	159,546	149,997
Staff costs	9	**(42,783)**	**(37,652)**	(49,464)	(44,710)
Depreciation, amortisation, and write-offs	10	**(9,766)**	**(9,650)**	(7,072)	(6,951)
Other operating expenses	11	**(28,383)**	**(27,277)**	(43,684)	(42,833)
Total operating expenses		**(80,932)**	**(74,579)**	(100,220)	(94,494)
Other gains		**1,000**	**1,000**	276	276
Profit before credit (loss)/gain on financial assets		**54,714**	**45,342**	59,602	55,779
Credit (loss)/gain on financial assets	12	**(2,082)**	**13**	(4,445)	(3,836)
Profit before tax		**52,632**	**45,355**	55,157	51,943
Income tax expense	13	**(12,398)**	**(10,565)**	(14,544)	(13,753)
Profit after tax		**40,234**	**34,790**	40,613	38,190
Profit attributable to:					
Owners of the company		**39,554**	**34,790**	40,307	38,190
Non-controlling interest		**680**	**–**	306	–
Profit for the year		**40,234**	**34,790**	40,613	38,190

Note 1 to note 35 form an integral part of these financial statements.

Consolidated and company statement of comprehensive income

For the year ended 31 December 2024	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Profit for the year	**40,234**	**34,790**	40,613	38,190
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**	(509)	(509)
Other comprehensive expense for the year, net of tax	**(1,928)**	**(1,928)**	(509)	(509)
Total comprehensive income	**38,306**	**32,862**	40,104	37,681
Attributable to:				
Owners of the company	**37,626**	**32,862**	39,798	37,681
Non-controlling interest	**680**	**–**	306	–
Total comprehensive profit for the period attributable to the equity holders	**38,306**	**32,862**	40,104	37,681

Consolidated and company statement of financial position

For the year ended 31 December 2024	Note	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Assets					
Cash and balances with central banks	14	**1,014,572**	**1,014,572**	697,790	697,790
Placements with banks	14	**44,279**	**23,660**	63,156	42,071
Loans and advances to customers	15	**3,653,477**	**3,372,919**	3,564,297	3,405,194
Other assets	16	**44,405**	**45,575**	82,142	81,940
Derivative assets	17	**6,404**	**6,404**	4,512	4,512
Investment in securities	18	**252,914**	**252,914**	127,547	127,547
Intangible assets	19	**63,455**	**63,396**	49,303	49,137
Intercompany receivables		**-**	**270,687**	-	175,428
Right-of-use assets	20	**11,060**	**11,060**	11,553	11,553
Property and equipment	21	**7,934**	**7,934**	3,861	3,853
Assets classified as held for sale		**-**	**-**	7,070	7,070
Investment in subsidiary	31	**-**	**1**	-	1
Total assets		**5,098,500**	**5,069,122**	4,611,231	4,606,096
Liabilities					
Customer deposits	22	**4,492,026**	**4,492,026**	3,758,037	3,758,037
Bank deposits	23	**80,924**	**80,924**	359,667	359,667
Lease liabilities	20	**11,895**	**11,895**	12,873	12,873
Other liabilities	24	**99,440**	**76,062**	83,883	79,304
Derivative liabilities	17	**11,478**	**11,478**	32,374	32,374
Intercompany payables		**-**	**354**	-	354
Subordinated loan	25	**14,881**	**14,881**	14,847	14,847
Total liabilities		**4,710,644**	**4,687,620**	4,261,681	4,257,456
Equity					
Share capital	26	**202,000**	**202,000**	202,000	202,000
Property revaluation reserve		**505**	**505**	2,433	2,433
Accumulated profits		**184,557**	**178,997**	145,003	144,207
Equity attributable to owners of the Company		**387,062**	**381,502**	349,436	348,640
Non-controlling interest		**794**	**-**	114	-
Total equity		**387,856**	**381,502**	349,550	348,640
Total liabilities and equity		**5,098,500**	**5,069,122**	4,611,231	4,606,096

Note 1 to note 35 form an integral part of these financial statements.

The financial statements on pages 75-150 were approved by the Board of Directors on 23 April 2025 and signed on its behalf by:

Nick Fahy
Chief Executive Officer
Company number 04728421

Consolidated and company statement of changes in equity

Consolidated

	2024					
	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 2023	202,000	3,148	104,490	309,638	(192)	309,446
Profit for the year after tax	–	–	40,307	40,307	306	40,613
Other comprehensive income	–	(509)	–	(509)	–	(509)
Transfer from revaluation reserve to retained earnings	–	(206)	206	–	–	–
As at 31 December 2023	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**

Company

	2024			
	Share capital £000	Property revaluation reserve £000	Accumulated profits £000	Total equity £000
As at 1 January 2023	202,000	3,148	105,811	310,959
Profit for the year after tax	–	–	38,190	38,190
Other comprehensive income	–	(509)	–	(509)
Transfer from revaluation reserve to retained earnings	–	(206)	206	–
As at 31 December 2023	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**

Note 1 to note 35 form an integral part of these financial statements.

Consolidated and company statement of cash flows

For the year ended 31 December 2024	Note	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Cash flows from operating activities					
Profit before tax		**52,632**	**45,355**	55,157	51,943
Adjustments for:					
Credit gain/(loss) on financial assets	12	**2,082**	**(13)**	4,445	3,836
Depreciation of property and equipment	21	**2,197**	**2,188**	1,730	1,717
Amortisation of intangible assets	19	**7,264**	**7,157**	4,636	4,529
Write-off of fixed and intangible assets	21	**305**	**305**	706	706
Other gains		**(1,000)**	**(1,000)**	(276)	(276)
Lease interest	20	**946**	**946**	937	937
Interest on subordinated loan	6	**1,851**	**1,851**	783	783
Interest on asset-backed securities	18	**(11,703)**	**(11,703)**	(5,667)	(5,667)
Amortisation of issuance costs relating to subordinated loan	25	**34**	**34**	21	21
Tax paid	13	**(6,580)**	**(6,165)**	(17,052)	(17,052)
Foreign exchange gains	8	**(711)**	**(675)**	(42)	(150)
Fair value gain/(loss) on hedging instruments	17	**204**	**204**	(2,111)	(2,111)
Changes in operating assets					
Mandatory deposits with central bank	14	**9,348**	**9,348**	(549)	(549)
Loans and advances to customers	15	**(90,320)**	**33,163**	(313,908)	(251,501)
Intercompany receivable		**–**	**(95,259)**	–	(65,742)
Other assets	16	**38,737**	**37,365**	(41,284)	(41,118)
Derivative assets	17	**(2,096)**	**(2,096)**	10,003	10,003
Changes in operating liabilities					
Customer and bank deposits	22, 23	**455,246**	**455,246**	391,092	391,092
Intercompany payable		**–**	**–**	–	354
Derivative liabilities	17	**(20,896)**	**(20,896)**	28,536	28,536
Other liabilities	24	**8,019**	**(9,362)**	13,796	11,426
Net cash from operating activities		**445,559**	**445,993**	130,953	121,717

Consolidated and company statement of cash flows – continued

For the year ended 31 December 2024	Notes	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Cash flows from investing activities					
Purchase of property and equipment	21	**(398)**	**(397)**	(3,343)	(3,344)
Purchase of intangible assets	19	**(21,721)**	**(21,721)**	(27,176)	(27,176)
Purchase of asset-backed securities	18	**(149,500)**	**(149,500)**	(76,396)	(76,396)
Redemption of asset-backed securities	18	**35,836**	**35,836**	67,893	67,893
Net cash used in investing activities		**(135,783)**	**(135,782)**	(39,022)	(39,023)
Cash flows from financing activities					
Proceeds from issuance of subordinated loan	25	**–**	**–**	14,826	14,826
Capital repayment from finance lease obligations	20	**(2,292)**	**(2,292)**	(1,125)	(1,125)
Net cash used in financing activities		**(2,292)**	**(2,292)**	13,701	13,701
Net increase in cash and cash equivalents for the year		**307,484**	**307,919**	105,632	96,395
Cash and cash equivalents at the beginning of the year		**751,598**	**730,513**	646,528	634,473
Net increase in cash and cash equivalents for the year		**307,484**	**307,919**	105,632	96,395
Effects of exchange rate changes on cash and cash equivalents		**(231)**	**(200)**	(562)	(355)
Cash and cash equivalents at the end of the year	**14**	**1,058,851**	**1,038,232**	751,598	730,513
Operational cash flows from interest (restated*)					
Interest paid		**(212,196)**	**(212,154)**	(124,974)	(124,966)
Interest received		**372,711**	**359,355**	307,209	300,246
Net cash flows from interest		**160,515**	**147,201**	182,235	175,280

Note 1 to note 35 form an integral part of these financial statements.

*In 2023, the Bank omitted accrued interest on deposits from the calculation of interest paid and accrued interest on loans and advances from the calculation of interest received. As a result, the comparative figures have been restated, resulting in a decrease of £32.7m in 'interest paid', a reduction of £3.6m in 'interest received' for the consolidated group, and a decrease of £2.6m in 'interest received' for the company. This restatement does not affect the total cash flows reported in either the consolidated or company statement of cash flows.

Notes to the financial statements

1. Corporate information

These financial statements are prepared for Cynergy Bank plc and its subsidiaries (together referred to as "the Group", "Cynergy Bank", "we", "us", "our"). Cynergy Bank plc is registered in England and Wales under company number 04728421, with its registered office at 4th Floor, One New Change, London EC4M 9AF. It is authorised by the Prudential Regulation Authority (PRA) and regulated by both the Financial Conduct Authority (FCA) and the PRA.

Cynergy Bank is wholly owned by Cynergy Capital Limited (the parent company), whose consolidated financial statements include those of Cynergy Bank. Cynergy Capital Limited is incorporated in England and Wales, and its financial statements can be obtained from www.gov.uk/government/organisations/companies-house.

As of 31 December 2024, Cynergy Bank directly holds 87.5% of the £1,000 ordinary shares in Cynergy Business Finance Limited, a UK company incorporated on 8 April 2021 (company number 13322121). Its registered office is at 4th Floor, One New Change, London EC4M 9AF. This subsidiary is fully consolidated in these financial statements.

The accounting policies relevant to the preparation of these financial statements are outlined in note 3.

2. Basis of preparation

These consolidated and company financial statements have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for land and buildings, share-based transaction liabilities, and derivative financial instruments, which are measured at fair value. The carrying values of hedged items in fair value hedges are adjusted to reflect changes in fair value attributable to the risks being hedged.

In assessing the going concern assumption, the Directors considered all relevant information available for at least 12 months from the date the financial statements were signed. Key considerations included:

- Financial forecasts and plans
- Capital and liquidity requirements
- Stress testing conducted under the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP)

The Directors are satisfied that Cynergy Bank is able to meet its working capital obligations through the normal cyclical nature of receipts and payments. Cynergy Bank plc has committed to supporting its subsidiary, Cynergy Business Finance Limited, for at least 12 months from the date the financial statements were signed. The Directors are confident that the Group's capital and liquidity positions meet regulatory requirements and are adequate for the foreseeable future. Refer to page 43 for further information on the factors considered by the Directors in making this assessment.

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.

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

The material accounting policies are summarised below. They 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 and interpretations issued but not yet adopted

The IASB has issued the following new/amended accounting standards which are not yet effective and have not been endorsed for use in the UK:

- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures': effective 1 January 2026, the amendments include guidance as to when certain financial liabilities can be deemed settled when using an electronic payment system. The amendments also provide further clarification regarding the classification of financial assets that contain contractual terms that change the timing or amount of contractual cash flows, including those arising from ESG-related contingencies, and financial assets with certain non-recourse features
- IFRS 18 'Presentation and Disclosure in Financial Statements': effective 1 January 2027, the standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. In addition, there are three sets of new requirements relating to the structure of the income statement, management-defined performance measures and the aggregation and disaggregation of financial information

Cynergy Bank is assessing these new/amended accounting standards to determine the potential impacts on the financial statement when they become effective.

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 (EIR) method for all financial instruments measured at amortised cost and those designated at fair value through profit or loss (FVPL). Interest expense is recognised on financial liabilities measured at amortised cost using the EIR 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 EIR.

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 nature, timing of satisfaction of performance obligations and significant payment terms of products and services are set out in the below table:

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/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 (EIR)

The EIR is calculated based on contractual terms, excluding expected credit losses (ECL). Interest income is recognised by applying the EIR 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 EIR 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 effect of time value of money is material, 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 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, financial instruments are classified based on their contractual terms and the business model for managing them. They are measured at fair value, except for financial assets and liabilities designated at fair value through profit or loss (FVPL). Transaction costs are included in or deducted from this amount. Trade receivables are measured at fair value. When the fair value of financial instruments at initial recognition differs from the transaction price, Cynergy Bank recognises the difference as day one profit or loss.

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 (SPPI), and are not designated at FVPL, are measured at amortised cost. The carrying amount is adjusted for expected credit losses (ECL) as described in section 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 represent SPPI and are not designated at FVPL, are measured at FVOCI. Changes in carrying amounts are recognised in other comprehensive income (OCI), 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 OCI 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 policy

Cynergy Bank has chosen to continue applying International Accounting Standard (IAS) 39 for portfolio assets being hedged, using fair value hedge accounting where the relevant criteria under the standard are met, as allowed 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 (PV01). 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, with the movements relating to interest rate risk being 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.

3.9. Financial assets and liabilities

The Bank's financial assets include:

- Cash and balances with central banks
- Placements with banks
- Placements with/by related entities
- Investment 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 to solely payments of principal and interest (SPPI) on the principal amount outstanding

The Bank's financial liabilities include:

- Bank deposits
- Customer deposits
- Derivative financial liabilities
- Subordinated loan

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

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

Trade and other receivables at amortised cost

Trade and other receivables are recognised when cash is advanced to a borrower and are derecognised when the borrower repays its obligations, the receivables are sold or written off, or when 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 SMEs. These financial liabilities are initially measured at fair value less transaction costs and are subsequently held at amortised cost using the effective interest rate (EIR) method.

Derivatives recorded at FVPL

Cynergy Bank classifies and measures its derivative portfolio at fair value through profit or loss (FVPL). 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 (ECL) 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 ECL 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 ECLs are disclosed in note 30.

3.10. 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 FVPL 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 (EIR). Any resulting adjustment is recognised as a modification gain or loss in the income statement.

3.11. Impairment of financial assets

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

- A 12-month (Stage 1) ECL calculation where financial assets have not experienced a significant increase in credit risk since origination
- A lifetime ECL calculation where it has been demonstrated that there has been a significant increase in credit risk (Stage 2), or where there is objective evidence of impairment, such as default or other indicators of unlikeliness to pay (Stage 3)

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

i) Overview of the ECL principles

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

The 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 as described below:

- 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: loans 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 ECLs

Cynergy Bank calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the EIR. 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 mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of default (PD): 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 (EAD): 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 EAD is further explained in note 30
- Loss given default (LGD): 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 EAD. The LGD 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 PDs, EADs and LGDs, as set out in iii) below and 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 EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios and used within our macroeconomic scenarios, as explained above.

In determining whether a significant increase in credit risk has occurred since initial recognition Cynergy Bank is to assess 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 PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. 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 PD 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 EIR on the loan.

Overdrafts:
Cynergy Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL 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 five years for corporate and seven years for retail products. The interest rate used to discount the ECLs for overdrafts is based on the average EIR 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 (SICR) and the calculation of ECL 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 SICR 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 PD, LGD and EAD 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. The economic scenarios applied within the IFRS 9 forecasting at year end are outlined below.

Scenario	UK economy output in each scenario
Base (50th percentile)	• UK GDP growth is forecast to expand by 1.4% in 2025 and 1.7% in 2026, down from 1.7% and 1.8%, respectively, in the last update due to weaker economic momentum. Despite major changes to economic policy, the majority of the downgrade is due to recent national accounts revisions which now see a much lower household saving ratio, resulting in less scope for dissaving to boost consumer spending and growth going forward • Despite a temporary rise in mortgage rates due to market reactions to the Budget, house prices and activity are expected to strengthen. However, poor affordability by historical standards suggests a strong recovery in activity and prices is unlikely • The Bank of England's Monetary Policy Committee reduced the Bank Rate by 25bps to 4.75% in November, with plans for gradual further cuts. The forecast predicts a 100bps reduction next year, bringing the Bank Rate to 3.75% by the end of 2025, and an increased terminal rate forecast of 2.5% due to higher deficits and inflationary pressures
Mild upside (15th percentile)	• The mild upside scenario can be thought of as an alternative, more optimistic base case. Households run down savings accumulated during the pandemic at a faster pace than assumed in the baseline, permanent scars to the supply side are avoided and the economy reverts to its pre-crisis trajectory within a couple of years. In this scenario UK GDP accelerates, recording growth of 3.9% in 2025 and 3.1% in 2026 • The labour market tightens, and the unemployment rate falls to its recent decade-low of 3.6% by the end of 2026 • Supported by stronger sentiment, incomes and employment, residential house prices pick-up faster in 2025. And a sharp increase in consumption lifts financial market sentiment, resulting in renewed gains in asset prices • As a result of cost-push pressures from higher commodity prices and demand-pull forces from stronger demand, inflation also resurfaces in this scenario. In response, the BoE changes directions and begins to tighten its monetary policy again. Bank Rate rises back to its previous peak of 5.5% by Q1 2025

Scenario	UK economy output in each scenario
Downside scenario (85th percentile)	• The downside scenario results in a global recession in the near-term. The downside scenario captures the current risks from higher inflation, higher interest rates, weakening domestic and global demand and continued supply chain disruptions. The subsequent recovery in this scenario is subdued, as the combination of increased risk aversion, lower real incomes, and long-term scarring weigh heavily on the global economy. In this scenario, the UK economy faces weak demand, resulting in a contraction of GDP of 2.3% in 2025 and sluggish growth of 0.4% in 2026, compared with our baseline forecast of 1.4% and 1.7% growth, respectively. Amid severely dampened consumer confidence and higher unemployment, the recovery from the recession is slow. As a result, GDP only returns to its Q4 2024 level by mid-2028 • Lower incomes and increased unemployment force sellers into the residential property market. As the price downturn is further exacerbated by lower confidence, UK house prices only start to recover gradually in early-2028 • To counter the downturn in the economy, the MPC swiftly abandons its tightening cycle and starts lowering Bank Rate much faster than in our base case
Severe downside scenario (95th percentile)	• The effects of the severe downside scenario on UK GDP are similar to the magnitude of the shock during the global financial crisis • The severe downside scenario sees a sharp and immediate drop in UK output (-3.2% q/q in Q1 2025, compared to +0.34% in the baseline) and GDP does not recover until mid-2026 as financial stress remains elevated. Unemployment in the UK climbs to 5.8% by end-2025 and peaks at 7.3% in end-2027, which is 3.2ppts higher than in the baseline. The unemployment rate only falls below 6% close to the final year of the scenario. UK house prices collapse, falling 20% below their starting level at the trough and erasing all growth achieved since 2018. This downturn reflects the unparalleled hit to incomes, significantly diminished confidence and tighter credit conditions • The MPC aggressively cuts Bank Rate, to a low of 1% by Q3 2026, as the impairment to the supply side and labour market remains considerable

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. Following this enhancement, the weightings applied to economic scenarios have been reviewed and updated as shown below to ensure a balanced and representative outcome is achieved.

The scenario weightings have remained unchanged since December 2023 and they continue to be monitored and reviewed on a quarterly basis in the 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 (HPI), commercial real estate (CRE) index, unemployment forecasts and interest rates. The revised macroeconomic multiple regression model incorporated GDP and real household disposable income as variables, enhancing its ability to estimate the impact of affordability risk, which has become more acute in the current UK macroeconomic environment.

All the macroeconomic variables mentioned above are also applied in the IFRS 9 model developed for Cynergy Business Finance (CBF). The bank rate within the CBF model is used to forecast interest rates for the cash flow, property, plant and machinery loans. The CRE index is used to index property collateral.

The macroeconomic forecast assumptions used in the scenarios as at 31 December 2024 are as follows:

At 31 December 2024	Scenario	2025	2026	2027	2028	2029
GDP Average change year-on-year (%)	Mild Upside	3.9	3.1	2.5	2.0	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

At 31 December 2023	Scenario	2024	2025	2026	2027	2028
GDP Average change year-on-year (%)	Mild Upside	3.0	2.9	2.6	1.7	1.3
	Baseline	0.5	1.5	1.9	1.5	1.4
	Downside	(3.1)	0.2	1.4	1.4	1.5
	Severe Downside	(5.1)	(0.7)	1.1	1.3	1.6
Bank Rate Average (%)	Mild Upside	5.7	5.5	4.5	3.5	2.6
	Baseline	5.1	4.2	3.2	2.3	2.0
	Downside	4.4	3.1	2.0	1.5	1.5
	Severe Downside	4.1	2.4	1.3	0.8	0.8
Unemployment Rate Average (%)	Mild Upside	4.2	3.9	3.8	3.7	3.7
	Baseline	4.5	4.4	4.1	3.9	3.8
	Downside	5.4	6.5	7.1	7.0	6.6
	Severe Downside	5.6	6.8	7.5	7.3	7.0
House Price Index Average change year-on-year (%)	Mild Upside	(1.5)	0.4	4.9	6.2	4.5
	Baseline	(4.2)	(1.9)	2.7	5.2	4.6
	Downside	(8.0)	(7.2)	(2.3)	3.6	5.0
	Severe Downside	(10.0)	(10.0)	(5.2)	2.5	5.2
Commercial Real Estate Index Average change year-on-year (%)	Mild Upside	4.9	7.2	4.3	2.7	1.1
	Baseline	(0.2)	4.2	3.6	3.5	2.4
	Downside	(7.8)	1.9	3.6	4.8	3.9
	Severe Downside	(11.8)	(0.1)	3.6	5.6	4.9
Housing Equity Average (%)	Mild Upside	76.1	75.9	76.7	77.4	77.6
	Baseline	75.4	74.8	75.3	76.0	76.3
	Downside	74.4	72.2	71.6	72.7	74.1
	Severe Downside	73.8	70.7	69.2	70.1	71.7
Real Personal Disposable Income Average change year-on-year (%)	Mild Upside	0.7	1.4	1.9	1.8	1.8
	Baseline	0.5	1.6	1.8	1.5	1.4
	Downside	(0.2)	0.7	0.7	1.2	1.5
	Severe Downside	(0.3)	0.4	0.4	0.9	1.3

Note that the tables above have been revised from the prior period to provide a more comprehensive view of the forecast of the macroeconomic variables over the five-year period. The following table demonstrates the gross carrying amount and the effect on ECL resulting from applying a 100% weighting to the scenarios applied in the calculation of our ECL model (base, mild upside, downside and severe downside).

Company As at 31 December 2024	Weighted	Mild upside	Baseline	Downside	Severe downside
Gross carrying amount £000					
Business	620,090	–	–	–	–
Property	2,460,186	–	–	–	–
Private	317,775	–	–	–	–
Cynergy Business Finance	280,557	–	–	–	–
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%

Company As at 31 December 2023	Weighted	Mild upside	Baseline	Downside	Severe downside
Gross carrying amount £000					
Business	680,942	–	–	–	–
Property	2,418,391	–	–	–	–
Private	331,062				
Cynergy Business Finance	160,692	–	–	–	–
ECL £000					
Business	6,714	6,117	6,615	7,583	8,129
Property	17,892	16,357	17,424	20,421	22,311
Private	595	479	558	792	934
Cynergy Business Finance	1,589	1,530	1,573	1,698	1,740
Proportion of ECLs in Stage 2					
Business	44%	42%	44%	47%	48%
Property	30%	27%	29%	34%	36%
Private	3%	4%	3%	3%	3%
Cynergy Business Finance	13%	13%	13%	13%	14%

The impact on ECL of exposures moving from a 12-month provisioning stage to a lifetime provisioning stage (and vice versa) occurs when a loan moves between Stage 1 and Stage 2. This change in stages between 1 and 2 can also occur due to model economic forecasts through forward-looking adjustments. As Cynergy Bank's lending is primarily property financing, our ECL modelling is sensitive to changes in the underlying value of the property which we take as collateral against our loans. To test our sensitivity to changes in property prices, the macroeconomic variables HPI and CRE forecasts have been separately run for all the scenarios for the core Property and Business ECL model, while the other macroeconomic variables have been held consistent with the baseline scenario. This demonstrates the sensitivity that changes to property prices could have on our ECL. Unemployment sensitivity has also been produced.

ECL sensitivity of HPI change relative to baseline scenario (difference) £000			
Scenario	**HPI mild upside**	**HPI downside**	**HPI severe downside**
Stage 1	(74)	413	710
Stage 2	(48)	202	343
Stage 3	(12)	56	90
Total	(134)	671	1,143

ECL sensitivity of CRE change relative to baseline scenario (difference) £000			
Scenario	**CRE mild upside**	**CRE downside**	**CRE severe downside**
Stage 1	(133)	186	312
Stage 2	(318)	477	756
Stage 3	(43)	87	142
Total	(494)	750	1,210

ECL sensitivity of unemployment change relative to baseline scenario (difference) £000			
Scenario	**Unemployment mild upside**	**Unemployment downside**	**Unemployment severe downside**
Stage 1	(73)	136	178
Stage 2	(87)	198	256
Stage 3	0	0	0
Total	(160)	334	434

Post-model adjustments and management overlays

Cynergy Bank utilises:

- Post-model adjustments (PMAs) to account for model limitations or latent risks not captured by modelled ECLs
- Management overlays where management's expert judgement is applied to assess an appropriate ECL when the underlying data may not provide a true reflection of the risk from a modelled output

All PMA and overlay methodologies applied are subject to challenge and review through Cynergy Bank's model governance process and approved by the Audit Committee. The following PMAs and overlays were applied at 31 December 2024.

- **Amortising term loan PMA:** this is applied to all loans which have a significant final payment on the expiry of their facility. It is calculated by analysing the historic performance of this cohort and applying an adjusted PD to account for the increase in PD risk over the final 12 months of the loan before expiry
- **Bridging sector overlay:** this segment of Cynergy Bank's loan book has been under pressure since the start of the Covid pandemic. Reduced appetite and liquidity constraints have resulted in a devaluation of assets and reduced refinancing opportunities in the market. The two remaining bridging loans are designated as Stage 3 loans under IFRS 9 and are going through Cynergy Bank's recovery process. ECLs for these loans have been individually assessed outside of the model to ensure that the circumstances of each of these loans is considered and appropriate provisions are applied based on the characteristics of each of the loans
- **Coronavirus business interruption loan scheme (CBILS) and recovery loan scheme (RLS) PMA:** this is applied to account for the guarantee provided by the British Business Bank and backed by the UK Government which covers 80% of the non-recoverable outstanding amount after default, leaving Cynergy Bank liable for the remaining 20% of the non-recoverable exposure. To account for this, an adjustment is made to the LGD to reduce this figure by 80%. This is applied in accordance with accepted industry practice
- **Individual assessments overlay:** this is the segment of Cynergy Bank's loan book where expert judgement is applied to assess the appropriate ECL. Individual assessments are applied when the underlying data may not provide a true reflection of the risk from a modelled output. These are discussed and challenged through the relevant Cynergy Bank forums and committees with focus concentrated on the higher risk profile accounts within business support and recoveries

Budget Impact SME PMA: this is applied to the Bank's SME portfolio (not including accounts that have other PMAs or overlays applied) with a focus on the most impacted sectors, to ensure adequate coverage for the increased credit risk stemming from the fiscal changes following the government's October budget. The cumulative impact of the PMAs and overlays as of 31 December 2024 is £18.3m, out of a total ECL provision of £28.8m. This represents an increase of £5.5m from 2023, primarily driven by a few deteriorations identified in the individual assessments conducted in 2024.

£000	Amortising term loan	Bridging Sector Overlay	CBILS and RLS PMA	Individual Assessments Overlay	Business Watchlist PMA	SME PMA	Total impact
2023	900	4,870	(1,042)	7,288	816	–	12,832
2024	**630**	**4,070**	**(763)**	**13,500**	**–**	**882**	**18,319**

3.12. 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 the Bank's valuation policy. Additionally, the 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.

3.13. 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.

3.14. 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 payment arrangements or agreeing to new loan terms. Once the terms are renegotiated, any impairment is measured using the original effective interest rate (EIR) calculated before the modification. It is our policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. 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

3.15. 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.

3.16. 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 make sure 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 (calculated on a straight-line basis over a useful life between 2 and 20 years) 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

3.17. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount is expected to be recovered primarily through sale rather than continued use, and a sale is highly probable. These assets are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised if the asset's carrying amount exceeds its fair value less costs to sell, either initially or in subsequent write-downs. A gain is recognised if the fair value less costs to sell increases, but it cannot exceed any cumulative impairment loss recognised previously. Any unrecognised gain or loss at the date of sale is recognised upon derecognition. Non-current assets held for sale are not depreciated or amortised during the classification period. These assets are presented separately from other assets in the statement of financial position.

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 write-offs 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

3.20.1. Retirement 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.

3.20.2. Share-based payments

In 2022, Cynergy Bank introduced share-based compensation benefits through a long-term incentive plan (LTIP), where participants were granted cash-settled awards that vest only upon satisfying specific performance or other conditions. In 2023, the LTIP was amended to exclude references to Cynergy Bank's shares, and the arrangement is no longer classified as share-based compensation. The new arrangement is accounted for under IAS 19 as of the balance sheet date. Any change in the value of the liability resulting from these changes is recognised in the profit and loss (P&L) for the period.

Cynergy Bank plc (CBp) entered a shareholder agreement with its subsidiary, Cynergy Business Finance Limited (CBF), giving CBp the right to exercise an option to purchase the minority shareholding held by CBF's managers. The managers can also request CBp to purchase the shares. In the consolidated financial statements, the fair value of this option is recognised as a cash-settled share-based payment expense and corresponding liability, which is adjusted at each balance sheet date based on the fair value of the shares. In the company's financial statements, the share-based payment liability represents the obligation to settle the option arrangement, with the corresponding entry in investment in subsidiary.

3.21. Government grants and other assistance

Government grants and other assistance is recognised in the income statement over the period in which Cynergy Bank recognises the related expenses. Cynergy Bank participated in the CBILS (Coronavirus Business Interruption Loan Scheme), with year-one payments for arrangement fees and interest being 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 (Recovery Loan Scheme), 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. 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, are outlined in this note.

Critical judgements

No critical judgements have been required in the selection and application of accounting policies for the preparation of the financial statements.

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 IFRS 9 for all categories of financial assets requires judgement, particularly in estimating the amount and timing of future cash flows, collateral values and assessing a significant increase in credit risk. These estimates depend on several factors, and changes in these factors can lead to different levels of allowances.

Cynergy Bank's ECL 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 ECL 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 (LTECL) basis
- Selection of forward-looking macroeconomic scenarios and their associated probability weightings, which provide the economic inputs for the ECL models
- Post-model adjustments (PMAs), which involve judgements and assumptions, as outlined in section 3.11 on impairment of financial assets

Sensitivities related to these elements are provided in note 3.11.

The effective interest method

Cynergy Bank recognises interest income using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR 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, taking into account variations in interest rates during different stages of the product lifecycle, including prepayments, penalty interest and other charges. This requires judgement regarding the expected behaviour and lifecycle 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 £1.6 million or £2.0 million, respectively.

Valuation of Long-Term Incentive Scheme liability

The Board and the Remuneration, Nominations and Corporate Governance Committee approved amendments to the current Long-Term Incentive Plan (LTIP) for senior leaders, including Executive Directors, in November/December 2023. The scheme has been extended by one year, running from 2022 to 2025.

The LTIP is designed to incentivise senior leaders to deliver long-term shareholder returns. The revised scheme no longer references Cynergy Bank's equity or shares and is therefore not classified as a share-based payment. Instead, the settlement amount is based on achieving target growth in retained earnings and fulfilling Cynergy Bank's technology roadmap, among other conditions.

The liability associated with the scheme has been estimated based on forecast performance under Cynergy Bank's strategy and management's estimate of the likelihood of achieving the targets. As of 31 December 2024, the liability is valued at £3.5 million (2023: £3.5m). The most significant assumption affecting the liability estimate is the probability of Cynergy Bank achieving profit targets. Increasing or decreasing this probability by 20% would result in an increase or decrease of £1.0 million in the liability value at 31 December 2024.

Additionally, Cynergy Bank plc (CBp) has a shareholder agreement with its subsidiary, Cynergy Business Finance Limited (CBF). Under the agreement, CBp has the right to purchase the minority shareholding held by the managers in CBF. The fair value of this option is £nil as at 31 December 2024 (2023: £nil).

5. Interest income

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Interest income calculated using the effective interest rate method				
Loans and advances to customers	**256,634**	**242,705**	239,392	231,320
Investments in securities	**11,703**	**11,703**	5,667	5,667
Cash and balances with central banks	**44,440**	**44,440**	31,336	31,336
Total interest income calculated using the effective interest rate method	**312,777**	**298,848**	276,395	268,323
Interest and other similar income				
Interest rate swaps	**57,827**	**57,827**	41,559	41,559
Total interest income	**370,604**	**356,675**	317,954	309,882

6. Interest expense

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Interest expense calculated using the effective interest rate method				
Customer deposits	**176,378**	**176,378**	107,853	107,853
Bank deposits	**87**	**46**	1,020	1,011
Subordinated loan	**1,851**	**1,851**	783	783
Lease liabilities	**946**	**946**	937	937
Government funding schemes	**12,216**	**12,216**	17,762	17,762
Total interest expense calculated using the effective interest rate method	**191,478**	**191,437**	128,355	128,346
Interest and other similar expense				
Interest rate swaps	**48,550**	**48,550**	34,811	34,811
Total interest expense	**240,028**	**239,987**	163,166	163,157

7. Fee and commission income

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Service fees for current accounts	400	400	408	408
Service fees for debit/credit cards	156	156	143	143
Services fees for handling payments	32	32	36	36
Foreign exchange fees	307	307	221	221
Invoice financing fees	1,801	–	1,594	–
Other fees	393	393	204	204
Total fee and commission income	**3,089**	**1,288**	2,606	1,012

8. Foreign exchange gains

Foreign exchange gains arise from the re-translation of monetary assets in foreign currency at the balance sheet date.

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Foreign exchange gains	712	676	42	150

9. Staff costs

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Wages and salaries	36,325	31,921	39,857	35,819
Social security costs	3,561	3,140	4,156	3,698
Retirement benefit costs – defined contribution scheme	2,865	2,559	2,876	2,618
Other benefits (long-term incentive plan)	32	32	2,575	2,575
Total staff costs	**42,783**	**37,652**	49,464	44,710

Monthly average number of staff employed	Consolidated 2024	Company 2024	Consolidated 2023	Company 2023
Management	16	16	13	13
Operations and front office	116	116	135	135
Back office functions	209	209	175	175
Cynergy Business Finance	47	–	40	–
Total monthly average number of staff employed	**388**	**341**	363	323

10. Depreciation, amortisation and write-offs

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Depreciation of property and equipment	825	816	396	382
Amortisation of intangible assets	7,264	7,157	4,636	4,529
Depreciation of right-of-use assets	1,372	1,372	1,334	1,334
Write-off of assets	305	305	706	706
Total depreciation, amortisation, and write-offs	**9,766**	**9,650**	7,072	6,951

11. Other operating expenses

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Information technology	10,130	9,893	13,125	12,964
Professional fees (including co-sourcing and contractor costs)	7,543	7,307	18,948	18,892
Premises costs	2,234	2,078	2,106	1,980
Subscriptions and publications	1,796	1,784	1,700	1,692
Clearing charges	1,111	894	1,132	991
Advertising and marketing	966	951	1,141	1,119
Regulatory fees	824	816	348	347
Travel and entertainment	663	492	772	579
Directors' fees	610	587	541	518
Penalties and compensation payments	570	570	658	658
Other operating expenses	1,936	1,905	3,213	3,093
Total operating expenses	**28,383**	**27,277**	43,684	42,833

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

Professional fees include fees payable to the Bank's auditor which are analysed below, net of VAT.

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Audit fee for the audit of Cynergy Bank plc	624	624	639	639
Audit fee for the audit of the Bank's subsidiary	145	–	120	–
Other assurance services	130	130	164	164
Other non-audit services	–	–	4	4
Total fees payable to the Bank's auditor	**899**	**754**	927	807

Other assurance services include independent profit verifications conducted during the period.

Other non-audit services relate to subscription services permissible under the FRC Ethical Standard.

12. Credit (loss)/gain on financial assets

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 (loss)/gain on financial assets	**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 (loss)/gain on financial assets	**1,117**	**4,493**	**(5,597)**	**13**

Consolidated	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loans and advances to customers	(1,989)	(3,195)	745	(4,439)
Undrawn loan commitments	(6)	–	–	(6)
Total credit gain/(loss) on financial assets	(1,995)	(3,195)	745	(4,445)

Company	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loans and advances to customers	(1,395)	(3,403)	968	(3,830)
Undrawn loan commitments	(6)	–	–	(6)
Total credit gain/(loss) on financial assets	(1,401)	(3,403)	968	(3,836)

13. Income tax expense

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
UK corporation tax				
Charge for the year	**10,722**	**8,889**	11,355	10,940
Adjustments in respect of prior year	**(2,418)**	**(2,418)**	2,229	2,229
	8,304	**6,471**	13,584	13,169
Deferred tax				
Charge for the year	**2,444**	**2,444**	2,062	1,686
Adjustments in respect of prior year	**1,650**	**1,650**	(1,102)	(1,102)
Tax charge for the year	**12,398**	**10,565**	14,544	13,753

A reconciliation of the tax charge in the income statement for the year ended 31 December 2024 and the accounting profit multiplied by the standard rate of corporation tax in the United Kingdom of 25% (2023: 19%/25%) is presented below:

Profit before tax	**52,632**	**45,356**	55,157	51,943
Tax calculated 19%/25%	**13,158**	**11,339**	12,962	12,207
Tax effect of:				
Banking surcharge	**–**	**–**	397	397
Expenses not deductable for tax purposes	**8**	**(6)**	38	25
Tax rate adjustment	**–**	**–**	20	(3)
R&D expenditure credit	**–**	**–**	–	–
Property revaluation	**–**	**–**	–	–
Property sale	**–**	**–**	–	–
Adjustment in respect of prior year – corporation tax	**(2,418)**	**(2,418)**	2,229	2,229
Adjustment in respect of prior year – deferred tax	**1,650**	**1,650**	(1,102)	(1,102)
Tax charge for the year	**12,398**	**10,565**	14,544	13,753

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
The net deferred tax liability arises from:				
Difference between capital allowances and depreciation	(6,594)	(6,550)	(2,746)	(2,703)
Property revaluation	(433)	(433)	(1,076)	(1,076)
Losses to be used against future profits	-	-	-	-
Provision for renumeration expenditure not deductable for tax purposes in the current period	747	713	993	960
Net deferred tax liability	(6,280)	(6,270)	(2,829)	(2,819)
The movement in the net deferred tax (liability)/ asset is set out below:				
1 January	(2,829)	(2,819)	(1,360)	(1,726)
Revaluation of properties	643	643	(509)	(509)
Deferred tax recognised in the income statement	(4,094)	(4,094)	(960)	(584)
31 December	(6,280)	(6,270)	(2,829)	(2,819)
The analysis of the net deferred tax credit/(charge) recognised in the income statement is set out below:				
Difference between capital allowances and depreciation	(3,847)	(3,847)	(544)	(574)
(Losses)/profits to be used against future profits	-	-	(406)	-
Other temporary differences	(247)	(247)	(610)	(610)
Change in tax rates	-	-	-	-
Adjustment in respect of prior years	-	-	-	-
Deferred tax on property revaluation	-	-	600	600
Deferred tax charge for the year	(4,094)	(4,094)	(960)	(584)

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

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Balances with the Bank of England	1,014,572	1,014,572	697,790	697,790
Placements with banks	44,279	23,660	63,156	42,071
Cash and cash equivalents	1,058,851	1,038,232	760,946	739,861

The ECLs 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 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Balances with the Bank of England	**1,014,572**	**1,014,572**	697,790	697,790
Less mandatory deposits with the central bank	**–**	**–**	(9,348)	(9,348)
Placements with banks	**44,279**	**23,660**	63,156	42,071
Cash and cash equivalents per the statement of cash flows	**1,058,851**	**1,038,232**	751,598	730,513

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

In the prior year, mandatory deposits were required under the Cash Ratio Deposit (CRD) Scheme with the Bank of England. These deposits were calculated based on the size of eligible liabilities and were not available for day-to-day operations. From 1 March 2024, the CRD Scheme was replaced by the Bank of England levy, which is recognised as an expense within 'regulatory fees' in note 11.

15. Loans and advances to customers

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Loans	**3,658,871**	**3,374,629**	3,541,958	3,381,266
Overdrafts	**14,679**	**14,679**	15,468	15,468
	3,673,550	**3,389,308**	3,557,426	3,396,734
Fair value adjustment	**8,758**	**8,758**	33,661	33,661
Less: allowance for ECL / impairment losses	**(28,831)**	**(25,147)**	(26,790)	(25,201)
Total	**3,653,477**	**3,372,919**	3,564,297	3,405,194

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. Details of Cynergy Bank's internal grading system are explained in note 30.

Consolidated Loans £000		**2024**		
		Gross carrying amount of loans		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard grade	**3,207,099**	**176,504**	**–**	**3,383,603**
Watchlist medium risk	**–**	**187,596**	**592**	**187,015**
Credit-impaired	**–**	**–**	**95,838**	**97,011**
Total	**3,207,099**	**364,100**	**96,430**	**3,667,629**

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**
Watchlist 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	–	3,111,513
Watchlist medium risk	–	180,020	–	180,020
Credit-impaired	–	–	91,854	91,854
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
Watchlist medium risk	–	8,258	–	8,258
Credit-impaired	–	–	2,616	2,616
Total	3,683	8,380	2,616	14,679

Consolidated Loans £000	2023			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	2,953,117	239,424	–	3,192,541
Watchlist medium risk	11,678	299,341	–	311,019
Credit-impaired	–	–	72,059	72,059
Total	2,964,795	538,765	72,059	3,575,619

Consolidated Overdrafts £000	2023			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,452	176	–	3,628
Watchlist medium risk	–	10,637	–	10,637
Credit-impaired	–	–	1,203	1,203
Total	3,452	10,813	1,203	15,468

Company Loans £000	2023			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	2,818,384	219,671	–	3,038,055
Watchlist medium risk	11,678	293,789	–	305,467
Credit-impaired	–	–	71,405	71,405
Total	2,830,062	513,460	71,405	3,348,614

Company Overdrafts £000	2023			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,452	176	–	3,628
Watchlist medium risk	–	10,637	–	10,637
Credit-impaired	–	–	1,203	1,203
Total	3,452	10,813	1,203	15,468

The reconciliations of movements of the loss allowance and gross carrying amounts provide insight into the movements in ECL and the charge to the income statement. The increase in ECL from the prior period is primarily related to increases in Stage 2 provisions driven by exposures moving to Cynergy Bank's watchlist during the year. This uplift is visible in the 'transfers to Stage 2' movement.

Consolidated Loans	**2024**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£000	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
At 1 Jan 2024	**2,964,797**	**5,343**	**538,764**	**8,081**	**72,058**	**12,430**	**3,575,619**	**25,854**
News assets originated	**704,460**	**1,359**	**29,910**	**387**	**1,629**	**1,397**	**735,999**	**3,143**
Assets derecognised or repaid	**(415,205)**	**(800)**	**(153,261)**	**(1,876)**	**(21,202)**	**(1,577)**	**(589,668)**	**(4,253)**
Transfers to Stage 1	**159,469**	**169**	**(164,053)**	**(2,835)**	**(687)**	**(33)**	**(5,271)**	**(2,699)**
Transfers to Stage 2	**(164,094)**	**(352)**	**164,041**	**1,359**	**-**	**-**	**(53)**	**1,007**
Transfers to Stage 3	**(29,075)**	**(95)**	**(36,879)**	**(951)**	**59,029**	**2,103**	**(6,925)**	**1,057**
Within-stage movements	**(13,253)**	**(1,227)**	**(14,422)**	**(340)**	**(14,397)**	**4,582**	**(42,072)**	**3,015**
Write-offs	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 31 Dec 2024	**3,207,099**	**4,397**	**364,100**	**3,825**	**96,430**	**18,902**	**3,667,629**	**27,124**

Consolidated Overdrafts	2024							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2024	3,452	28	10,813	405	1,203	503	15,468	936
News 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 Dec 2024	3,683	6	8,380	293	2,616	1,408	14,679	1,707

Company Loans	2024							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2024	2,830,062	4,404	513,460	7,875	71,405	11,986	3,414,927	24,265
News 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 Dec 2024	2,963,375	3,246	328,158	3,513	91,854	16,681	3,383,387	23,440

Company Overdrafts	**2024**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£000	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
At 1 Jan 2024	**3,452**	**28**	**10,813**	**405**	**1,203**	**503**	**15,468**	**936**
News 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 Dec 2024	**3,683**	**6**	**8,380**	**293**	**2,616**	**1,408**	**14,679**	**1,707**

'Within-stage movements' result from changes in economic assumptions, model parameter changes and any additional drawings made on current exposures.

Consolidated Loans	2023							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2023	2,812,294	3,311	384,914	5,302	64,647	13,565	3,261,855	22,178
News assets originated	1,179,760	2,427	81,954	869	2,186	361	1,263,900	3,657
Assets derecognised or repaid	(709,294)	(774)	(141,040)	(1,658)	(28,428)	(3,830)	(878,762)	(6,262)
Transfers to Stage 1	77,268	285	(78,484)	(656)	(927)	(12)	(2,143)	(383)
Transfers to Stage 2	(320,456)	(476)	320,707	5,356	(317)	(3)	(66)	4,877
Transfers to Stage 3	(21,404)	(26)	(23,963)	(401)	42,764	2,857	(2,603)	2,430
Within-stage movements	(53,373)	597	(5,323)	(732)	(7,866)	(508)	(66,562)	(643)
Write-offs	-	-	-	-	-	-	-	-
At 31 Dec 2023	2,964,795	5,344	538,765	8,080	72,059	12,430	3,575,619	25,854

Consolidated Overdrafts	2023							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2023	13,867	27	236	19	611	115	14,714	161
News assets originated	1,093	6	1,548	62	573	492	3,214	560
Assets derecognised or repaid	(863)	(3)	(121)	(6)	(3)	(3)	(987)	(12)
Transfers to Stage 1	50	–	(60)	(1)	–	–	(10)	(1)
Transfers to Stage 2	(10,445)	(10)	9,241	333	(2)	–	(1,206)	323
Transfers to Stage 3	–	–	–	–	5	–	5	–
Within-stage movements	(250)	8	(31)	(2)	19	(101)	(262)	(95)
Write-offs	–	–	–	–	–	–	–	–
At 31 Dec 2023	3,452	28	10,813	405	1,203	503	15,468	936

Company Loans	2023							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2023	2,752,002	2,966	347,587	4,888	64,081	13,345	3,163,670	21,199
News assets originated	1,086,466	1,716	72,232	780	1,751	40	1,160,449	2,536
Assets derecognised or repaid	(703,986)	(750)	(113,082)	(1,330)	(28,426)	(3,830)	(845,494)	(5,910)
Transfers to Stage 1	77,183	283	(78,297)	(648)	(927)	(12)	(2,041)	(377)
Transfers to Stage 2	(314,026)	(445)	313,471	5,302	(317)	(3)	(872)	4,854
Transfers to Stage 3	(20,559)	(22)	(23,670)	(399)	42,658	2,847	(1,571)	2,426
Within-stage movements	(47,018)	656	(4,781)	(718)	(7,415)	(401)	(59,214)	(463)
Write-offs	–	–	–	–	–	–	–	–
At 31 Dec 2023	2,830,062	4,404	513,463	7,875	71,405	11,986	3,414,927	24,265

Company Overdrafts	2023							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 Jan 2023	13,867	27	236	19	611	115	14,714	161
News assets originated	1,093	6	1,548	62	573	492	3,214	560
Assets derecognised or repaid	(863)	(3)	(121)	(6)	(3)	(3)	(987)	(12)
Transfers to Stage 1	50	–	(60)	(1)	–	–	(10)	(1)
Transfers to Stage 2	(10,445)	(10)	9,241	333	(2)	–	(1,206)	323
Transfers to Stage 3	–	–	–	–	5	–	5	–
Within-stage movements	(250)	8	(31)	(2)	19	(101)	(262)	(95)
Write-offs	–	–	–	–	–	–	–	–
At 31 Dec 2023	3,452	28	10,813	405	1,203	503	15,468	936

16. Other assets

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Debtors	**1,339**	**1,339**	24	24
Receivable from the Bank of Cyprus Public Company Limited towards redress payments	**–**	**–**	525	525
Prepayments	**4,970**	**4,912**	4,493	4,370
Accrued income	**7,999**	**7,999**	2,549	2,549
Receivables from payment service providers	**1,570**	**1,570**	1,647	1,647
Cash pledged as collateral	**28,270**	**28,270**	71,604	71,604
Tax receivable	**243**	**1,471**	1,279	1,201
Other receivables	**14**	**14**	21	20
Total other assets	**44,405**	**45,575**	82,142	81,940

17. Derivative financial instruments

Cynergy Bank uses derivatives classified and measured at fair value through profit or loss (FVPL) to manage its exposure to interest rate and exchange rate fluctuations. Derivatives are an essential component of Cynergy Bank's risk management activities. The fair value of derivatives financial instruments reflects their replacement cost at the reporting date, determined by current market conditions. Credit exposure arising from these instruments is actively monitored as part of the Bank's market risk management framework.

Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative, based on movements in market interest or exchange rates under the relevant contract terms. The net fair value of the derivative portfolio can vary significantly due to these market fluctuations, with the fair value gains or losses for the year ended 31 December 2024 shown below.

Consolidated and company	2024 £000	2023 £000
Fair value (loss)/gain on hedging instruments	(204)	2,110

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	2024			2023		
	Notional amount £000	Fair value		Notional amount £000	Fair value	
		Assets £000	Liabilities £000		Assets £000	Liabilities £000
Exchange rate contracts						
By type						
Foreign exchange funding swaps	18,983	–	(264)	22,920	52	(6)
Foreign exchange spots	–	–	–	81	1	–
Total exchange rate contracts	18,983	–	(264)	23,001	53	(6)
By maturity						
Up to 1 year	18,983	–	(264)	23,001	53	(6)
1 – 5 years	–	–	–	–	–	–
Over 5 years	–	–	–	–	–	–
Total exchange rate contracts	18,983	–	(264)	23,001	53	(6)
By counterparty						
Banks and building societies	18,983	–	(264)	22,960	52	(6)
Customers	–	–	–	41	1	–
Total exchange rate contracts	18,983	–	(264)	23,001	53	(6)
Interest rate contracts						
By type						
Interest rate swaps	1,095,000	6,404	(11,214)	1,145,000	4,459	(32,368)
Total interest rate contracts	1,095,000	6,404	(11,214)	1,145,000	4,459	(32,368)
By maturity						
Up to 1 year	1,095,000	6,404	(11,214)	–	–	–
1 – 5 years	–	–	–	1,145,000	4,459	(32,368)
Over 5 years	–	–	–	–	–	–
Total interest rate contracts	1,095,000	6,404	(11,214)	1,145,000	4,459	(32,368)
By counterparty						
Banks and building societies	1,095,000	6,404	(11,214)	1,145,000	4,459	(32,368)
Total interest rate contracts	1,095,000	6,404	(11,214)	1,145,000	4,459	(32,368)
Total derivative contracts	1,113,983	6,404	(11,478)	1,168,001	4,512	(32,374)

Hedge accounting

Cynergy Bank continues to apply fair value hedge accounting for portfolio hedges of interest rate risk on loans and advances to customers.

The Bank maintains a portfolio of fixed-rate assets, which are exposed to changes in fair value due to fluctuations in market interest rates. To manage this risk, the Bank enters into interest rate swaps. Each portfolio comprises assets with similar characteristics that share the designated hedged risk.

Hedge ineffectiveness may arise due to differences between the hedged items and the hedging instruments. Key sources include variations in prepayment levels, differences in notional scheduling and cash flow timing, and changes in the credit risk of hedged items after designation. The Bank actively monitors these factors to minimise ineffectiveness.

To ensure the continued effectiveness of its hedge relationships, the Bank regularly reviews and rebalances its hedged portfolios. Adjustments to the notional amounts of interest rate swaps are made as necessary to align with changes in the underlying exposure, maintaining an effective hedge over time.

The amounts relating to items designated as hedging instruments at 31 December 2024 were as follows:

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**

Consolidated and company	2023			
		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	1,145,000	4,459	(32,368)	(36,322)

The amounts relating to items designated as hedged items at 31 December 2024 were as follows:

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

Consolidated and company	2023			
	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 gain used to calculate hedge ineffectiveness £000
Fair value hedges of interest rate risk:				
Fixed rate loans*	1,163,962	–	38,394	38,653

*Fixed rate loans are included in the line item 'loans and advances to customers' in the statement of financial position.

The amounts recognised as hedge ineffectiveness at 31 December 2024 were as follows:

Consolidated and company	**Ineffectiveness recognised in the income statement**	
	2024 £000	2023 £000
Fair value hedges of interest rate risk:		
Fixed rate loans**	475	2,332

**Hedge ineffectiveness is included in the line item 'fair value gain on hedging instruments' in the income statement.

18. Investment in securities

Consolidated and company	**2024**		2023	
	Amortised cost £000	**Fair value £000**	Amortised cost **£000**	Fair value **£000**
Asset-backed securities	**132,837**	**131,821**	90,801	90,067
Covered bonds	**120,077**	**119,589**	36,746	36,508
Total investment in securities	**252,914**	**251,410**	127,547	126,575

Maturities of investments in debt securities at their carrying amount

Consolidated and company	**2024**	2023
	Amortised cost £000	Amortised cost £000
By type		
Asset-backed securities	**132,837**	90,801
Covered bonds	**120,077**	36,746
Total at 31 December	**252,914**	127,547
By maturity		
Up to 1 year	**2,883**	14,933
1 – 5 years	**237,897**	100,481
Over 5 years	**12,134**	12,133
Total at 31 December	**252,914**	127,547

The weighted average yield on asset-backed securities during the year ended 31 December 2024 was 4.63% (2023: 4.44%). The ECLs relating to investment in securities are negligible and round to zero.

19. Intangible assets

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

Internally developed software predominantly relates to Banking, Treasury, Origination, and Cloud platforms supporting Cynergy Bank's loans and deposit customers, with a carrying amount of £38.7 million as at 31 December 2024 (2023: £19.4 million). The software is amortised over its expected useful life in accordance with the amortisation periods set out in note 3.19.

The weighted average remaining useful life of the intangible assets at 31 December 2024 was 11.0 years (2023: 12.8 years).

During the year ended 31 December 2024, £0.3 million (2023: £0.12 million) of internally developed software related to these platforms was written off.

Consolidated	2023		
	Computer software £000	Assets under construction £000	Total £000
Cost as at 1 January	23,493	13,964	37,457
Additions	8,106	19,070	27,176
Disposals and write-offs	–	(706)	(706)
Transfers	5,333	(5,333)	–
Cost at 31 December	36,932	26,995	63,927
Accumulated amortisation at 1 January	(9,988)	–	(9,988)
Amortisation charge for the year	(4,636)	–	(4,636)
Disposals and write-offs	–	–	–
Accumulated amortisation at 31 December	(14,624)	–	(14,624)
Net book value at 31 December	22,308	26,995	49,303

Company	2023		
	Computer software £000	Assets under construction £000	Total £000
Cost as at 1 January	23,175	13,964	37,139
Additions	8,106	19,070	27,176
Disposals and write-offs	–	(706)	(706)
Transfers	5,333	(5,333)	–
Cost at 31 December	36,614	26,995	63,609
Accumulated amortisation at 1 January	(9,943)	–	(9,943)
Amortisation charge for the year	(4,529)	–	(4,529)
Disposals and write-offs	–	–	–
Accumulated amortisation at 31 December	(14,472)	–	(14,472)
Net book value at 31 December	22,142	26,995	49,137

20. Leases

Consolidated and company	**2024 £000**	2023 £000
Right-of-use assets		
Buildings	**11,060**	11,553
Lease liabilities		
Current	**912**	1,237
Non-current	**10,983**	11,636
Total	**11,895**	12,873

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	2024 £000	2023 £000
Depreciation charge of right-of-use assets – buildings	1,372	1,334
Interest expense	946	937
Expense relating to short-term leases (included in other operating costs)	205	366

The total cash outflow for leases in 2024 was £2,682,713 (2023: £426,382).

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	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

Consolidated	2023		
	Computer equipment £000	Furniture & equipment £000	Total £000
Cost at 1 January	2,295	355	2,650
Additions	209	3,134	3,343
Cost at 31 December	2,504	3,489	5,993
Accumulated depreciation at 1 January	(1,736)	–	(1,736)
Depreciation charge for the year	(206)	(190)	(396)
Accumulated depreciation at 31 December	(1,942)	(190)	(2,132)
Net book value at 31 December	562	3,299	3,861

Company	2023		
	Computer equipment £000	Furniture & equipment £000	Total £000
Cost at 1 January	2,256	355	2,611
Additions	209	3,134	3,343
Cost at 31 December	2,465	3,489	5,954
Accumulated depreciation at 1 January	(1,719)	–	(1,719)
Depreciation charge for the year	(192)	(190)	(382)
Accumulated depreciation at 31 December	(1,911)	(190)	(2,101)
Net book value at 31 December	554	3,299	3,853

Freehold property and land, originally recorded at a cost of £6.1m with accumulated depreciation of £0.5m, were classified as held for sale on 31 December 2022. At that time, the property was revalued to a fair value less costs to sell of £7.1m, with the resulting gain recognised in reserves. As the asset no longer met IFRS 5 criteria for immediate sale, it was reclassified to Property and Equipment on 31 December 2024. The planned sale did not complete, and the Bank retained a £1.0m deposit as part of 'other gains' in the statement of profit or loss. Management determined a recoverable amount of £4.5m, with the impairment fully absorbed by the revaluation reserve, resulting in no further impact in the income statement.

22. Customer deposits

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
By category				
Demand	**2,837,188**	**2,837,188**	2,166,543	2,166,543
Notice	**229,884**	**229,884**	194,826	194,826
Term	**1,424,954**	**1,424,954**	1,396,668	1,396,668
Total customer deposits	**4,492,026**	**4,492,026**	3,758,037	3,758,037
By geographical area				
United Kingdom	**4,393,876**	**4,393,876**	3,641,663	3,641,663
Cyprus	**71,871**	**71,871**	84,173	84,173
Greece	**16,351**	**16,351**	19,354	19,354
Other	**9,928**	**9,928**	12,847	12,847
Total customer deposits	**4,492,026**	**4,492,026**	3,758,037	3,758,037

23. Bank deposits

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Bank deposits by category				
Demand	–	–	–	–
Term	80,924	80,924	359,667	359,667
Bank deposits by geographical area				
United Kingdom	80,924	80,924	359,667	359,667

24. Other liabilities

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Accruals	19,576	18,242	28,545	27,565
Accrued interest payable	7,181	7,181	7,077	7,077
Subordinated loan – amounts due*	41,095	41,095	41,082	41,082
PAYE and National Insurance settlement	1,333	1,333	1,468	1,468
Items in the course of settlement	22,468	1,434	40	(2,665)
Deferred tax liability	6,250	6,270	2,829	2,819
Current tax payable	1,534	501	2,564	1,677
Provision for customer redress	–	–	261	261
Other liabilities	3	6	17	20
Total liabilities	**99,440**	**76,062**	83,883	79,304

*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% per annum 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, following receipt of permission from the PRA to reduce Cynergy Bank's 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 (2023: £41m) continues to be classified within 'Other liabilities'.

The line item 'Other liabilities' represents individually immaterial low-value items of a similar nature.

25. Subordinated loan

Consolidated and company	2024 £000	2023 £000
Unsecured subordinated loan	14,881	14,847

Changes in liabilities arising from financing activities:

Consolidated and company 2024	1 January £000	Deposits £000	Other £000	31 December £000
Unsecured subordinated loan	14,847	–	34	14,881

26. Share capital

Consolidated and company	2024		2023	
	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 provided to its 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.

The table below outlines Cynergy Bank's maximum exposure under acceptances, guarantees and commitments. For guarantees, this represents the potential exposure if contracts are fully drawn, and customers default without considering possible recoveries from recourse provisions or collateral. For commitments, the amounts represent the maximum Cynergy Bank has committed to lend if customers fully utilise their facilities.

	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Acceptances, guarantees and cashing facilities	520	520	572	572
Commitments to advance	240,585	181,020	117,136	85,209
Total	**241,105**	**181,540**	117,708	85,781

The balances above represent Cynergy Bank's maximum exposure to credit risk under these arrangements.

As at 31 December 2024, and at 31 December 2023, all exposures are assessed as standard grade under Cynergy Bank's internal rating grade system. Further details of the Bank's internal grading system can be found in note 30.

The following provides an analysis of changes in the gross carrying amount:

Consolidated and company **Acceptances, guarantees and cashing facilities**	**2024**			
	Stage 1 £000	**Stage 2 £000**	**Stage 3 £000**	**Total £000**
Gross carrying amount as at 1 January	**572**	**–**	**–**	**572**
Net new exposures	**520**	**–**	**–**	**520**
Exposure derecognised or matured/lapsed	**(572)**	**–**	**–**	**(572)**
Transfers to Stage 1	**–**	**–**	**–**	**–**
Transfers to Stage 2	**–**	**–**	**–**	**–**
Transfers to Stage 3	**–**	**–**	**–**	**–**
Modifications	**–**	**–**	**–**	**–**
Amounts written off	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**–**	**–**	**–**	**–**
As at 31 December	**520**	**–**	**–**	**520**

Consolidated and company Acceptances, guarantees and cashing facilities	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January	642	7	–	649
Net new exposures	572	–	–	572
Exposure derecognised or matured/lapsed	(642)	(7)	–	(649)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Modifications	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
As at 31 December	572	–	–	572

Consolidated Commitments to advance	2024			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January	117,136	–	–	117,136
Net new exposures	240,585	–	–	240,585
Exposure derecognised or matured/lapsed	(117,136)	–	–	(117,136)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Modifications	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
As at 31 December	**240,585**	**–**	**–**	**240,585**

Company Commitments to advance	2024			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January	85,209	–	–	85,209
Net new exposures	181,020	–	–	181,020
Exposure derecognised or matured/lapsed	(85,209)	–	–	(85,209)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Modifications	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
As at 31 December	**181,020**	**–**	**–**	**181,020**

Consolidated Commitments to advance	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January	167,728	–	–	167,728
Net new exposures	117,136	–	–	117,136
Exposure derecognised or matured/lapsed	(167,728)	–	–	(167,728)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Modifications	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
As at 31 December	117,136	–	–	117,136

Company Commitments to advance	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross carrying amount as at 1 January	145,814	–	–	145,814
Net new exposures	85,209	–	–	85,209
Exposure derecognised or matured/lapsed	(145,814)	–	–	(145,814)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Modifications	–	–	–	–
Amounts written off	–	–	–	–
Foreign exchange adjustments	–	–	–	–
As at 31 December	85,209	–	–	85,209

The ECLs relating to acceptances, guarantees and cashing facilities and commitments to advance are zero when rounded to the nearest thousand. Contingent obligations and commitments are managed in accordance with Cynergy Bank's credit risk management policies. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall risk of Cynergy Bank.

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 £85,000 per depositor in the event of Cynergy Bank's insolvency.

29. Fair value of financial assets and liabilities

Consolidated		31 December 2024		31 December 2023	
	Notes	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Financial assets					
Cash and balances with central banks	(i, Level 1)	1,014,572	1,014,572	697,790	697,790
Placements with banks	(ii, Level 1)	44,279	44,279	63,156	63,156
Derivative financial assets	(v, Level 2)	6,404	6,404	4,512	4,512
Investment in securities	(vii, Level 1)	252,914	251,367	127,547	126,575
Loans and advances to customers	(viii, Level 3)	3,653,477	3,670,663	3,564,297	3,593,678
Financial liabilities					
Bank deposits	(ii, Level 1)	80,924	80,924	359,667	359,667
Customer deposits	(iv, Level 3)	4,492,026	4,437,668	3,758,037	3,803,873
Derivative financial liabilities	(v, Level 2)	11,478	11,478	32,374	32,374
Subordinated loan	(vi, Level 3)	14,881	14,880	14,847	14,878

Company		31 December 2024		31 December 2023	
	Notes	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Financial assets					
Cash and balances with central banks	(i, Level 1)	1,014,572	1,014,572	697,790	697,790
Placements with banks	(ii, Level 1)	23,660	23,660	42,071	42,071
Derivative financial assets	(v, Level 2)	6,404	6,404	4,512	4,512
Investment in securities	(vii, Level 1)	252,914	251,367	127,547	126,575
Loans and advances to customers	(iii, Level 3)	3,372,919	3,389,975	3,405,194	3,434,518
Intercompany receivables	(viii, Level 3)	270,687	270,687	175,428	175,428
Financial liabilities					
Bank deposits	(ii, Level 1)	80,924	80,924	359,667	359,667
Customer deposits	(iv, Level 3)	4,492,026	4,437,668	3,758,037	3,803,873
Derivative financial liabilities	(v, Level 2)	11,478	11,478	32,374	32,374
Subordinated loan	(vi, Level 3)	14,881	14,880	14,847	14,878

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 or 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) 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 risk premium of Cynergy Bank.

iv) Customer deposits are measured at amortised cost. The carrying 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.
v) 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.
vi) The subordinated loan is measured at amortised cost. The subordinated loan is non-traded and the fair value is calculated by discounting the cash flows using prevailing market interest rates.
vii) 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.
viii) Intercompany receivables are measured at amortised cost. The carrying value 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 valuation inputs and relationships to fair value.

Consolidated	Fair value at		Range of inputs		
Description	**31 Dec 2024 £000**	31 Dec 2023 £000	**31 Dec 2024 %**	31 Dec 2023 %	Relationship of discount rate input to fair value
Loans and advances to customers	**3,670,663**	3,593,678	**3.78% – 4.70%**	2.83% – 5.19%	A shift in discount rate of +/–10bps results in a change of fair value of £4.7m (2023: £6.3m)
Customer deposits	**4,437,668**	3,803,873	**3.78% – 4.70%**	2.90% – 5.19%	A shift in discount rate of +/–10bps results in a change of fair value of £1.2m (2023: £1.4m)
Investment in securities	**251,367**	126,575	**5.10% – 5.56%**	5.74% – 6.09%	Based on quoted prices
Subordinated loan	**14,880**	14,878	**12.00%**	11.90%	A shift in discount rate of +/–10bps results in a change of fair value of £nil (2023: £0.5m)

Company	Fair value at		Range of inputs		
Description	**31 Dec 2024 £000**	31 Dec 2023 £000	**31 Dec 2024 %**	31 Dec 2023 %	Relationship of discount rate input to fair value
Loans and advances to customers	**3,389,975**	3,434,518	**3.78% – 4.70%**	2.83% – 5.19%	A shift in discount rate of +/–10bps results in a change of fair value of £4.7m (2023: £6.3m)
Customer deposits	**4,437,668**	3,803,873	**3.78% – 4.70%**	2.90% – 5.19%	A shift in discount rate of +/–10bps results in a change of fair value of £1.2m (2023: £1.4m)
Investment in securities	**251,367**	126,575	**5.10% – 5.56%**	5.74% – 6.09%	Based on quoted prices
Subordinated loan	**14,880**	14,878	**12.00%**	11.90%	A shift in discount rate of +/–10bps results in a change of fair value of £nil (2023: £0.5m)

30. Risk management

Liquidity risk

Liquidity risk is the risk of failure to realise assets or raise funds to meet current and future commitments. Liquidity risk is managed each day by Cynergy Bank’s treasury department under the supervision of the Asset and Liability Committee.

To manage liquidity risk, Cynergy Bank maintains a portfolio of high-quality liquid and marketable assets to meet the liquidity requirements of the PRA and Cynergy Bank’s internal policies. These assets can be converted into cash to meet its liquidity needs for a 30-calendar day liquidity stress scenario, and Cynergy Bank must ensure it maintains this liquidity coverage ratio (LCR) in adherence with its regulatory requirements.

The following table presents the undiscounted contractual cash flows of financial liabilities, reflecting the earliest date on which the Bank may be required to settle its obligations. This presentation has been revised in the current year to better align with the requirements of IFRS 7.

Undiscounted cash flows of financial liabilities						
Consolidated and company 31 December 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 loan	**–**	**298**	**1,502**	**19,803**	**–**	**21,603**
Total liabilities	**3,091,983**	**147,110**	**1,005,010**	**427,780**	**–**	**4,671,883**

Undiscounted cash flows of financial liabilities

Consolidated and company 31 December 2023	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	2,393,458	227,371	840,264	338,697	8,725	3,808,515
Bank deposits	–	5,135	232,409	141,696	–	379,240
Derivative liabilities	–	63	1,475	37,451	–	38,989
Subordinated loan	–	299	1,506	21,603	–	23,408
Total liabilities	2,393,458	232,868	1,075,654	539,447	8,725	4,250,152

Credit risk

Credit risk arises principally from lending activities, but also from other on- and off-balance sheet transactions where there is a risk that the counterparty may not meet its obligations to Cynergy Bank. Credit risk occurs mainly in customer advances.

To control credit risk, Cynergy Bank establishes lending policies and exposure limits by various categories, including counterparty, sector and country, which are reviewed on a continuing basis.

Credit policies are approved by the Board of Directors on recommendation from the Conduct and Risk Committee, which has management oversight of credit risk. Cynergy Bank maintains a dedicated credit risk function with responsibility for managing credit risk and monitoring management of advances by Cynergy Bank's business units. The Conduct and Risk Committee meets monthly and reviews reports on credit concentration, portfolio performance and provisions. The Executive Credit Committee, a sub-committee of the Board Credit Committee, approves credit facilities within its authority or makes recommendations to the Board of Directors for approval at Board Credit Committee where, on an exception basis, facilities are outside of our risk appetite statement.

Cynergy Bank assesses credit risk throughout its activities, applying various industry standards and techniques to ensure that the underlying risks are quantified and appropriate ECLs applied in accordance with IFRS 9. The key components are outlined below:

i) Cynergy Bank's internal rating and PD estimation process

Each of Cynergy Bank's key portfolios operate separate systems which apply internal credit grades to its customers. The systems incorporate both qualitative and quantitative information to assign PDs based on historical experience, where such experience is sufficient to establish a robust estimate of PD. Where there is insufficient historical experience, PDs are estimated on the basis of information from a credit rating agency. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward-looking information and apply the IFRS 9 stage classification of the exposure. Cynergy Bank's macroeconomic scenarios are then applied to assess a weighted ECL output at an exposure level.

ii) Treasury, trading and interbank relationships

Cynergy Bank's counterparties comprise financial services institutions and central banks. For these relationships, Cynergy Bank's credit risk department analyses publicly available information such as financial information and other external data – for example, the rating of Moody's or Standard and Poor's.

iii) Corporate, small business lending and property financing

Borrowers are assessed by relationship managers under the oversight of the credit risk unit of Cynergy Bank. The credit risk assessment is based on a credit grading system that takes into account various historical, current and forward-looking information, such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are therefore measured with greater attention

- Any publicly available information on the clients from external parties
- Any other objectively supportable information on the quality and abilities of the client's management relevant for Cynergy Bank's performance

The complexity and granularity of the grading techniques vary based on the exposure of Cynergy Bank and the complexity and size of the customer.

iv) Exposure at default

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

For loans, EAD is modelled on the basis of the contractual amortisation profile of the loan, but assuming that for the last 90 days before default no further repayments are made. Prepayment rates are applied for each forecast month based on historical analysis of the book. For overdrafts, the EAD is taken as the full amount of the approved limit or, if higher, the overdrawn balance at the balance sheet date. Undrawn facilities which have been offered in the last three months before the balance sheet date are assumed to draw down in full, as are the undrawn portions of staged loans, such as property development loans.

v) Loss given default

The revaluation of the underlying collateral to a credit exposure is reviewed aligned to Cynergy Bank's valuation policy. The calculation of the LTV is a core component of the LGD which takes into account the expected EAD in comparison with the amount expected to be recovered or realised from any collateral over which we have a charge.

The LGD rate for customer advances is based on the following principal inputs:

- The probability that the account will cure after default, in which case the loss will be nil. The estimate of the probability of cure is based on historical experience and is a function of LTV. For cases that are in recoveries, the probability of cure is taken to be nil
- The LTV of the borrower at the time of default
- The forced sale discount, which is determined on a probability distribution with a mean of 26% for residential properties and 35% for commercial properties
- The cost of realisation, which is assumed to be 5%, based on our experience of recovery cases in the past
- The discount rate applied to the realisation proceeds, which is the effective interest rate of the exposure
- The time to sale, which is assumed to be 18 months from the date of default, based on Cynergy Bank's experience and assessment of industry practice
- Post write-off recoveries, which are assumed to be nil

Further, LGDs under IFRS 9 incorporate recent data and forward-looking macroeconomic variables in order to determine a rate across multiple scenarios. Examples of key inputs involve changes in collateral values, including property prices for mortgages, payment status or other factors that are indicative of losses in the group. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2 and Stage 3 IFRS 9 segment of each asset class.

vi) Significant increase in credit risk

Cynergy Bank monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12m ECL or LTECL, we assess whether there has been a significant increase in credit risk since initial recognition. For example, we consider an exposure to have significantly increased in credit risk when any of the following has occurred:

- The exposure is placed on the watchlist
- The exposure is forborne
- The exposure is downgraded to D or E using our internal grading methodology
- The exposure has been downgraded from A to C using our internal grading methodology

Regardless of the qualitative measures outlined above, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The following table shows a breakdown of exposures by Stage 2 trigger event.

Company As at 31 December 2024 £000	**Business**			**Private**			**Property**		
	Gross carrying amount	**ECL**	**Coverage**	**Gross carrying amount**	**ECL**	**Coverage**	**Gross carrying amount**	**ECL**	**Coverage**
PD movement[1]	**46,844**	**350**	**0.75%**	**1,001**	**1**	**0.10%**	**55,906**	**350**	**0.63%**
Forbearance support provided	**180**	**3**	**1.67%**	**-**	**-**	**-**	**152**	**-**	**-%**
Watchlist or other qualitative reasons[2]	**109,439**	**1,679**	**1.53%**	**1,650**	**3**	**0.18%**	**105,986**	**1,417**	**1.34%**
30 days past due	**2,211**	**1**	**0.05%**	**2,102**	**10**	**0.48%**	**11,062**	**2**	**0.02%**
Total	**158,674**	**2,033**	**1.28%**	**4,753**	**14**	**0.29%**	**173,106**	**1,769**	**1.02%**

[1] PD movement: includes cases that moved due to staging criteria in our IFRS 9 model – for example, two-notch downward internal grading, expired loans, unauthorised overdraft.

[2] Watchlist or other qualitative reason: watchlist cases that are classified Stage 2 following internal process, including watchlist addition and also the post model stage adjustments.

Company As at 31 December 2023 £000	Business			Private			Property		
	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage	Gross carrying amount	ECL	Coverage
PD movement[1]	50,678	335	0.66%	1,620	8	0.49%	172,781	1,252	0.72%
Forbearance support provided	202	6	2.97%	–	–	–	104	–	-%
Watchlist or other qualitative reasons[2]	123,750	2,591	2.09%	3,378	13	0.38%	171,760	4,074	2.37%
30 days past due	–	–	–	–	–	–	–	–	–
Total	174,630	2,932	1.70%	4,998	21	0.41%	344,645	5,326	1.55%

[1] PD movement: includes cases that moved due to staging criteria in our IFRS 9 model – for example, two-notch downward internal grading, expired loans, unauthorised overdraft.

[2] Watchlist or other qualitative reason: watchlist cases that are classified Stage 2 following internal process, including watchlist addition.

For connected group borrowers with exposure less than £250,000, there is no specific annual review and borrowers are subject to a review on the trigger of an exception. Therefore should symptoms of credit weakness, such as arrears, be identified, the credit quality of the customer will be reassessed. For these accounts (which account for 1.06% of total customer advances), a separate assessment of the evidence of a significant deterioration and an adjustment is made to the ECL estimate as a management overlay, if appropriate.

vii) Annual review process

All borrowers with exposure over £250,000 are subject to an annual review of lending, collaterals and performance against the customer's broader market sector.

The following table shows the risk concentration by sector for customer advances.

	Consolidated 2024 £000	**Company 2024 £000**	Consolidated 2023 £000	Company 2023 £000
Business sector				
Property investment	**2,404,299**	**2,404,299**	2,366,844	2,366,844
Property development	**55,887**	**55,887**	51,528	51,528
Hotels, catering and leisure	**334,358**	**334,358**	342,423	342,423
Manufacturing	**55,387**	**175**	47,281	189
Retail and wholesale	**33,403**	**6,748**	27,461	8,687
Other business sectors	**484,106**	**281,731**	422,390	327,564
Personal sector	**314,868**	**314,868**	33,160	33,160
	3,682,308	**3,398,066**	3,591,087	3,430,395
Less: allowance for ECL/impariment losses	**(28,831)**	**(25,147)**	(26,790)	(25,201)
Carrying amount	**3,653,477**	**3,372,919**	3,564,297	3,405,194

Forbearance

Forbearance means the active agreement by Cynergy Bank with the customer to vary the terms of a loan agreement, either temporarily or permanently, to assist a customer to overcome financial stress and repay a loan. Forbearance is usually a trigger for accounts to be moved into Stage 2 or Stage 3 under IFRS 9. However, due to the ongoing support required to mitigate some of the challenges presented by Covid, exceptional measures were put in place by governments, regulators and Cynergy Bank to minimise this impact at a UK and global level.

Where cases are considered to be forborne and non-performing, they are considered as Stage 3 and must complete an 18-month cure period followed by a 24-month monitoring period (probation period) as a performing forborne loan before these accounts would be returned to the good book (a total of 42 months). In a performing forborne case, they would not go through the 18-month cure period and would only have to meet the 24-month probation period. An outline of the forbearance and the trigger for this is provided in the following table and the 2023 position is presented for comparison.

Consolidated and company 31 December 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**

Consolidated and company 31 December 2023	Total £000	Stage 2 £000	Stage 3 £000
Interest-only conversion	970	970	–
Payment holidays	7,913	1,265	6,648
Amortisation profile change	27	–	27
Refinance	202	202	–
Other	147	–	147
Total	9,259	2,437	6,822

Definition of default and cure

From a quantitative perspective, a key trigger of default – and therefore Stage 3 (credit-impaired) for ECL calculations – is when the borrower becomes 90 days past due on their contractual payments. Cynergy Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, Cynergy Bank also considers a variety of instances that may indicate unlikeliness to pay criteria. When such events occur, we carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from Cynergy Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower being deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower’s turnover or the loss of a major customer
- A covenant breach not waived by Cynergy Bank
- The debtor (or any legal entity within the debtor’s group) filing for bankruptcy application/protection

Once an exposure becomes credit-impaired it triggers Stage 3 under IFRS 9. If the exposure subsequently ceases to exhibit indicators of being credit-impaired, it will remain in Stage 3 for a period (known as a cure period) so that the apparent improvement of credit status can be confirmed. It is Cynergy Bank’s policy to consider a financial instrument as cured, and therefore reclassified out of Stage 3, when none of the default criteria have been present for at least 18 consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared with initial recognition.

Non-performing loans vs credit-impaired

Non-performing loans (NPLs) are defined as customers who do not make a payment for three months or more, or where we have data to make us doubt they can maintain their payments. The definition of default we use to identify NPLs is aligned to the definition of default we use to identify Stage 3 exposures. The only difference relates to mortgages. For NPLs, we classify a mortgage customer as bankrupt for at least two years after first being declared bankrupt before we reassess their position. Our categorisation of credit-impaired and NPL, as demonstrated in the following tables, is aligned and we consider both assessments as Stage 3.

Consolidated and company Stage 3 analysis 31 December 2024	**Gross carrying amount £000**
NPL[1]	**94,475**

Consolidated and company Stage 3 analysis 31 December 2023	Gross carrying amount £000
NPL[1]	72,608

[1] These customers would be considered bankrupt for the purpose of IFRS 9 staging but not for the definition of an NPL.

Maximum exposure to credit risk and collateral and other credit enhancements

The following table shows the maximum exposure to credit risk and the tangible and measurable collateral held. It also shows the net exposure to credit risk, which is the exposure after taking into account the impairment loss and tangible and measurable collateral held. Where guarantees are held, the collateral shown below includes any collateral supporting the guarantee. In normal circumstances, Cynergy Bank does not take possession of collateral it holds as security or call on other credit enhancements that would result in recognition of an asset on its balance sheet. It is Cynergy Bank’s policy to dispose of the repossessed assets in an orderly fashion. For financial assets recognised on the balance sheet, the gross exposure to credit risk is equal to the carrying amount.

Consolidated			**£000**		
31 December 2024	**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	**284,242**	–	**–**	**421,712**	**–**
Total	**3,682,308**	**6,440,165**	**6,510**	**421,712**	**–**

Company			**£000**		
31 December 2024	**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**	–	**–**

Consolidated			£000		
31 December 2023	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	680,942	1,305,603	614	–	–
Private	331,062	627,436	1	–	–
Property	2,418,391	4,584,035	1,961	–	–
Cynergy Business Finance	160,692	–	–	233,885	–
Total	3,591,087	6,517,074	2,576	233,885	–

Company			£000		
31 December 2023	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	680,942	1,305,603	614	–	–
Private	331,062	627,436	1	–	–
Property	2,418,391	4,584,035	1,961	–	–
Total	3,430,395	6,517,074	2,576	–	–

Prior year comparatives in the above tables have been restated to present exposures and collateral on a total basis, consistent with the current year's disclosure.

Cynergy Bank's policies require that loan origination is secured by:

- Mortgages over residential properties
- Charges over business assets such as premises, inventory and accounts receivable, and
- Charges over financial instruments such as debt securities and equities

All new origination is required to meet Cynergy Bank's valuation policy, which provides requirements to ensure that our interests are protected by an appropriate level of security. Cynergy Bank's policy in obtaining and perfecting the security of its loans has not materially changed over the past 12 months and the quality of the collateral continues to be paramount in the origination process.

The following table provides the distribution of LTV ratios for Cynergy Bank's portfolio.

Consolidated	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
31 December 2024 £000 LTV	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
Cash covered	**1**	**(15)**	**1**	**-**	**-**	**-**	**2**	**(15)**
Less than 50%	**809,385**	**(514)**	**57,022**	**(279)**	**13,048**	**(5,692)**	**879,455**	**(6,485)**
50% to 59%	**1,204,749**	**(1,435)**	**143,533**	**(1,146)**	**24,639**	**(1,241)**	**1,372,921**	**(3,822)**
60% to 69%	**962,501**	**(1,626)**	**79,558**	**(986)**	**13,563**	**(430)**	**1,055,622**	**(3,042)**
70% to 79%	**131,279**	**(355)**	**46,659**	**(422)**	**32,085**	**(5,805)**	**210,023**	**(6,582)**
80% to 89%	**71,744**	**(225)**	**16,159**	**(92)**	**-**	**-**	**87,903**	**(317)**
90% to 99%	**7,438**	**(36)**	**-**	**-**	**5,557**	**(105)**	**12,995**	**(141)**
100% and more	**16,418**	**(126)**	**29,182**	**(1,175)**	**3,589**	**(1,927)**	**49,189**	**(3,228)**
Unsecured	**7,267**	**(71)**	**366**	**(18)**	**6,565**	**(5,110)**	**14,198**	**(5,199)**
Total	**3,210,782**	**(4,403)**	**372,480**	**(4,118)**	**99,046**	**(20,310)**	**3,682,308**	**(28,831)**

Company	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
31 December 2024 £000 LTV	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
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)**

Consolidated	Stage 1		Stage 2		Stage 3		Total	
31 December 2023 £000 LTV	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Cash covered	36,923	(27)	1	-	-	-	36,924	(27)
Less than 50%	831,732	(707)	112,950	(893)	8,319	(670)	953,001	(2,270)
50% to 59%	1,063,533	(1,745)	209,965	(3,405)	17,374	(864)	1,290,872	(6,014)
60% to 69%	783,958	(1,514)	152,710	(2,634)	23,712	(2,166)	960,380	(6,314)
70% to 79%	155,109	(573)	34,057	(659)	2,131	(325)	191,297	(1,557)
80% to 89%	59,249	(244)	9,956	(64)	-	-	69,205	(308)
90% to 99%	8,118	(57)	929	(10)	5,754	(91)	14,801	(158)
100% and more	25,649	(284)	15,709	(673)	13,587	(7,381)	54,945	(8,338)
Unsecured	3,976	(221)	13,301	(147)	2,385	(1,436)	19,662	(1,804)
Total	2,968,247	(5,372)	549,578	(8,485)	73,262	(12,933)	3,591,087	(26,790)

Company 31 December 2023 £000 LTV	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
Cash covered	36,923	(27)	1	–	–	–	36,924	(27)
Less than 50%	811,095	(470)	110,900	(876)	8,045	(511)	930,040	(1,857)
50% to 59%	1,047,080	(1,650)	208,996	(3,400)	17,374	(864)	1,273,450	(5,914)
60% to 69%	753,244	(1,349)	144,361	(2,566)	23,712	(2,166)	921,317	(6,081)
70% to 79%	113,221	(338)	26,792	(596)	1,751	(40)	141,764	(974)
80% to 89%	43,089	(152)	4,216	(22)	–	–	47,305	(174)
90% to 99%	5,359	(44)	–	–	5,754	(91)	11,113	(135)
100% and more	19,527	(181)	15,709	(673)	13,587	(7,381)	48,823	(8,235)
Unsecured	3,976	(221)	13,298	(147)	2,385	(1,436)	19,659	(1,804)
Total	2,833,514	(4,432)	524,273	(8,280)	72,608	(12,489)	3,430,395	(25,201)

Operational risk

Operational risk is the risk of loss or reputational damage arising from inadequate systems, errors, poor management, internal control breaches, fraud and external events. Cynergy Bank tracks and analyses events which represent a risk of loss, whether or not it crystallises, and takes remedial action to prevent future recurrence.

Market risk

Market risk is the risk that changes in the level of interest rates, exchange rates and other financial indicators will have an adverse financial impact.

Cynergy Bank is exposed to interest rate risk as a result of mismatches in its balance sheet between the dates on which interest receivable on assets and interest payable on liabilities next reset to market rates or the dates on which the assets and liabilities mature. Cynergy Bank aims to manage this risk through hedging activities and controlling such mismatches within limits set by reference to the maximum potential loss of earnings under given changes of interest rates. The exposure to interest rate changes and sensitivity is regularly reported to and reviewed by the Asset and Liability Committee, which manages the overall exposure within an agreed limit set by the Board.

A summary of Cynergy Bank's interest rate gap position based on the contractual repricing date of assets and liabilities is as follows:

Analysis of assets and liabilities by contractual repricing Consolidated 31 December 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 balances with central banks	1,014,572	-	1,014,572	-	-	-
Placements with banks	44,279	-	44,279	-	-	-
Loans and advances to customers	3,653,477	-	1,815,787	106,368	1,512,280	219,042
Investment in securities	252,914	-	252,914	-	-	-
Total assets	**4,965,242**	**-**	**3,127,552**	**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 loan	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	377,411	(128,792)	1,032,784	(784,800)	39,177	219,042

Analysis of assets and liabilities by contractual repricing Company 31 December 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	270,687	-	270,687	-	-	-
Total assets	**4,934,752**	**-**	**3,174,717**	**105,283**	**1,435,710**	**219,042**
Financial liabilties:						
Customer deposits	4,492,026	128,792	3,108,844	891,168	363,222	-
Bank deposits	80,924	-	80,924	-	-	-
Subordinated loan	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

Analysis of assets and liabilities by contractual repricing

Consolidated 31 December 2023	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	697,790	–	697,790	–	–	–
Placements with banks	63,156	–	63,156	–	–	–
Loans and advances to customers	3,564,297	–	1,679,932	67,593	1,700,906	115,866
Investment in securities	127,547	–	127,547	–	–	–
Total assets	4,452,790	–	2,568,425	67,593	1,700,906	115,866
Financial liabilties:						
Customer deposits	3,758,037	201,105	2,418,728	821,735	307,743	8,726
Bank deposits	359,667	–	359,667	–	–	–
Subordinated loan	14,847	–	–	–	14,847	–
Total liabilities	4,132,551	201,105	2,778,395	821,735	322,590	8,726
Interest rate derivatives	–	–	1,145,000	–	(1,145,000)	–
Interest rate gap	320,239	(201,105)	935,030	(754,142)	233,316	107,140

Analysis of assets and liabilities by contractual repricing

Company 31 December 2023	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	697,790	–	697,790	–	–	–
Placements with banks	42,071	–	42,071	–	–	–
Loans and advances to customers	3,405,194	–	1,547,062	67,593	1,674,673	115,886
Investment in securities	127,547	–	127,547	–	–	–
Intercompany receivable	175,428	–	175,428	–	–	–
Total assets	4,448,030	–	2,589,898	67,593	1,674,673	115,886
Financial liabilties:						
Customer deposits	3,758,037	201,105	2,418,728	821,735	307,743	8,726
Bank deposits	359,667	–	359,667	–	–	–
Intercompany payable	354	354	–	–	–	–
Subordinated loan	14,847	–	–	–	14,847	–
Total liabilities	4,132,905	201,459	2,778,395	821,735	322,590	8,726
Interest rate derivatives	–	–	1,145,000	–	(1,145,000)	–
Interest rate gap	315,125	(201,459)	956,503	(754,142)	207,083	107,140

The annualised impact of a potential 1.0% change, both increase and decrease, in the interest rates against Cynergy Bank's interest-bearing assets and liabilities is as follows:

	2024 £000	2023 £000
Increase of 1.0%	12,537	6,844
Decrease of 1.0%	12,502	6,972

The interest rate sensitivities set out above are based on Cynergy Bank's internal monitoring at the end of the period. The figures represent the effect on net interest income for a year arising from a parallel rise or fall in all market interest rates.

Cynergy Bank is exposed to foreign currency risk as a result of mismatches between assets and liabilities in foreign currencies arising from Cynergy Bank's lending, deposit taking and currency dealing activities. The majority of currency dealings are carried out for the purpose of facilitating customer transactions. Cynergy Bank's treasury department is responsible for managing currency risk within intraday and overnight limits. Cynergy Bank's currency net exposures remain low at the balance sheet date. The potential impact on profit after tax and on equity of a change in currency exchange rates is not material at the reporting date.

Set-off

When Cynergy Bank has a legal and enforceable right to do so, it is able to set off the financial assets and financial liabilities on the balance sheet. It presents its intention to either settle on a net basis or to realise the asset and settle the liability simultaneously as a net position. Cynergy Bank is party to a number of arrangements that give it the right to set off financial assets and financial liabilities. However, where it does not intend to settle the amounts net or simultaneously, the positions of the assets and liabilities concerned are presented gross.

The following table shows the potential effect of the amounts that could be offset under Cynergy Bank's right of set-off but which are shown gross in the financial statements:

Consolidated	2024			2023		
	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	3,653,477	71,538	3,581,939	3,564,297	61,127	3,503,170
Derivative assets	6,404	6,404	–	4,512	4,459	53
Other assets	44,405	4,810	39,595	82,142	27,909	54,233
Financial liabilities						
Customer deposits	4,492,026	71,538	4,420,488	3,758,037	61,127	3,696,910
Derivative liabilities	11,478	11,214	264	32,374	32,368	6

Company	2024			2023		
	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	**3,372,919**	**71,538**	**3,301,381**	3,405,194	61,127	3,344,067
Derivative assets	**6,404**	**6,404**	**–**	4,512	4,459	53
Other assets	**44,236**	**4,810**	**39,426**	81,940	27,909	54,233
Financial liabilities						
Customer deposits	**4,492,026**	**71,538**	**4,420,488**	3,758,037	61,127	3,696,910
Derivative liabilities	**11,478**	**11,214**	**264**	32,374	32,368	6

Conduct risk

Conduct risk is defined as the risk that Cynergy Bank's behaviour, offerings or interactions with unfair outcomes for its customers result in fines, compensation, redress costs and reputational damage.

31. Investments in subsidiaries

As at 31 December 2024, 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	United Kingdom	Ordinary	100	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 PRA as a UK authorised bank, requiring it to meet the liquidity and capital requirements set by the PRA.

The 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 ICAAP. This document is approved by the Board of Directors and submitted to the PRA for review in years with an SREP (Supervisory Review and Evaluation Process). The PRA evaluates the ICAAP and sets total capital requirements (TCR) 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 TCR plus buffers, even during periods of stress. The Bank maintains a capital corridor above regulatory requirements. Annual plans, budgets, and forecasts include projections of the capital position and requirements to ensure continued adequacy of capital resources.

Capital resources	Consolidated 2024 £000	Company 2024 £000	Consolidated 2023 £000	Company 2023 £000
Ordinary share capital	**202,000**	**202,000**	202,000	202,000
Retained earnings	**184,557**	**178,997**	145,003	144,207
Property revaluation reserve	**505**	**505**	2,433	2,433
Regulatory deductions	**(65,185)**	**(65,126)**	(43,185)	(43,019)
Total eligible Tier 1 capital (CET1)	**321,877**	**316,376**	306,251	305,621
Tier 2 capital: Subordinated debt	**15,000**	**15,000**	15,000	15,000
Total eligible regulatory capital	**336,877**	**331,376**	321,251	320,621

33. Related party transactions

Cynergy Bank's ultimate controlling entity is Cynergy Capital Ltd, which owns 100% of the ordinary share capital.

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 are identified as 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 £5,193,358 (2023: £9,509,320). The first table below shows key management personnel compensation excluding Directors, whose compensation is presented separately in the second table below.

Key management personnel compensation

Consolidated and company	2024 £000	2023 £000
Short-term benefits	**2,984**	3,125
Long-term benefits	**–**	990
Post-employment benefits	**213**	230
Termination benefits	**20**	1,240
Total compensation for key management personnel, excluding Directors	**3,217**	5,585

Directors' compensation

Consolidated and company	2024 £000	2023 £000
Short-term benefits	**1,861**	2,002
Long-term benefits	**–**	761
Post-employment benefits	**115**	148
Termination benefits	**–**	1,013
Total compensation for Directors	**1,976**	3,924

The total remuneration of the highest-paid Director for qualifying services to Cynergy Bank was £1,210,667 (2023: £1,880,156). The amount of pension contributions paid by the company to the pension scheme on behalf of the highest-paid Director was £99,290 (2023: £96,580). 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 LTIP in respect of qualifying services. Payments to key management during 2024 included cash-settled awards under the 2019 to 2021 LTIP, totalling £219,360 (2023: £1,910,130).

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 calculated as £1.5m for the year ended 31 December 2024 (2023: £2.2m) based on a third-party valuation, 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.

As of 31 December 2024, seven (2023: six) related party loans outstanding totalled £24.9m (2023: £30.4m). No other loan transactions occurred during the year, and no balances were outstanding at the year-end for key management personnel.

Related party deposits totalling £0.7m were held as at 31 December 2024 (2023: £0.6m).

Other transactions with related parties

Consolidated and company	2024 £000	2023 £000
Management fees paid to parent	160	160
Total	**160**	160

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 2024 of £270.7m (2023: £175.4m). Interest during the year on the intercompany loan was £8.6m (2023: £5.1m). No guarantees have been given or received under this arrangement and the loan is considered to be performing with no impairment. The Bank also had no transactions during the year with North Star Audit Limited, a subsidiary and related party within the Group.

34. Share-based payments

In November 2023, the Board and the Remuneration, Nominations and Corporate Governance Committee approved amendments to the current LTIP for senior leaders, including Executive Directors, which has now been extended by one year to run over four years from 2022 to 2025.

The LTIP is designed to provide long-term incentives for senior leaders to deliver long-term shareholder returns.

The conditions of the revised scheme and basis of award value no longer reference the value of Cynergy Bank's equity or shares. Therefore the scheme is no longer classified as a share-based payment. The revised scheme settlement amount is based on achievement of target growth in retained earnings and delivery of Cynergy Bank's technology roadmap alongside other conditions.

For 2022 the valuation of the award was calculated using the Black-Scholes pricing model as a share-based scheme. For the revised scheme in 2023 and 2024, the valuation of the award has been estimated based on forecast performance under Cynergy Bank's strategy and management's estimate of achieving those results.

The final award is at the discretion of the Board in consideration of satisfaction of the performance conditions.

Set out below is a summary of awards granted under the plan:

Consolidated and company	2024 Number of shares (thousands)	2023 Number of shares (thousands)
As at 1 January	–	4,999
Granted during the year	–	–
Exercised during the year	–	(2,051)
Forfeited during the year	–	–
Cancelled	–	(2,948)
As at 31 December	**–**	–

On recognition of the new scheme during 2023, the liability relating to the old scheme was derecognised and a new liability recognised. At 31 December 2024 this liability is measured at £3.5m (2023: £3.5m).

Cynergy Bank has also entered into a shareholder agreement in relation to its subsidiary Cynergy Business Finance Limited (CBF). Under that agreement, Cynergy Bank has the right to exercise an option to purchase the minority shareholding held by the managers in CBF. Equally, the managers can request Cynergy Bank to purchase the shares. CBF commenced trading late in 2021 and has recorded a first profit during 2023 and 2024 following losses in its first and second periods. CBF remains reliant on funding from Cynergy Bank. The fair value of this option is considered to be nil as at 31 December 2024 (2023: nil).

35. 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 2024 Actuals £m	Consolidated 2023 Actuals £m
Statutory profit before tax:	**52.6**	55.2
Operational investment		
– Regulatory and mandatory costs	**0.1**	1.7
– Gain on sale of property	**(1.0)**	(0.3)
Strategic investment		
– Processes, systems and people	**12.5**	9.3
– New product investment	**0.7**	0.4
– Redundancies	**1.7**	1.2
Underlying profit before tax:	**66.6**	67.5

Definitions

Cost Income Ratio – Total reported costs as a percentage of reported income.

Liquidity Coverage Ratio – The value of high-quality liquid assets held by Cynergy Bank as a percentage of net cash outflows over the next 30 days.

Loan/Deposit Ratio – Total customer lending as a percentage of total funding, comprising customer deposits and funds drawn from the Sterling Monetary Framework.

Net Interest Margin – Net interest income, calculated as interest earned on customer lending and cash at bank less interest paid on customer deposits, subordinated Tier 2 debt, and Sterling Monetary Framework funding, expressed as a percentage of the two-point average of interest-earning assets.

Return on Equity (RoE) – Reported profit after tax as a percentage of average equity.

Return on Tangible Equity (RoTE) – Reported profit after tax as a percentage of average tangible equity.

Underlying Cost/Income Ratio – Reported costs, adjusted for one-off items as detailed in the reconciliation above, as a percentage of reported income.

Underlying Profit Before Tax – Reported profit before tax, adjusted for multi-year strategic and regulatory investments, long-term incentive plan costs, and one-off gains, providing a comparable measure of operational performance between reporting periods.

Underlying Return on Equity – Underlying profit after tax as a percentage of average equity.

Cynergy Bank