



Annual report and accounts

for the year ended
31 December 2025

Company number: 09872265

Bank information

Directors

Mark Winlow [Chairman]
 Gary Wilkinson [Chief Executive Officer]
 Sergio Cruz [Chief Financial Officer] – appointed on 21 July 2025
 Ashraf Piranie [Chief Financial Officer] – resigned on 31 March 2025
 Rajesh Khosla [Chief Risk Officer]
 Tina Kokkinos [Non-Executive Director]
 John Lowe [Non-Executive Director]
 Jerry Loy [Non-Executive Director]
 Maria Elizabeth Walker [Non-Executive Director]

Company secretary Eleanor Kenny

Registered number 09872265

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 Letchworth Garden City
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Independent auditor BDO LLP
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Strategic report

for the year ended
31 December 2025



Key highlights

Redwood Bank has delivered a steady performance in a challenging environment.



Since its launch in 2017, the Bank has lent over

£850m

in total to support SME businesses



£91m

of new lending in 2025



Profit before tax in 2025 of

£0.8m

our fifth consecutive year of profitability



Total assets of

£610m

at 31 December 2025



Total deposits of

£547m

at 31 December 2025



Total loans of

£490m

at 31 December 2025

Chairman's report



Overview

During 2025 Redwood Bank (the “Bank”) focused on laying further foundations for future growth, investing in our infrastructure and our people to better serve our small and medium sized enterprise (“SME”) customer base. This progress was achieved against a challenging external backdrop, with businesses continuing to navigate geopolitical volatility, ongoing uncertainty in global trade, subdued economic growth, rising unemployment and persistent inflationary pressures. During the year, the Bank of England reduced the Base Rate from 4.75% to 3.75%, reflecting growing concerns over low economic growth.

Net interest income reduced during 2025, as a result of a reducing Base Rate and of strong competition for deposits in the savings market. Our lending portfolio remained stable at £490m (2024: £492m), while non-performing and forbearance balances reduced by £14m to £39m through effective arrears management and proactive support of customers experiencing financial difficulty. Our deposit base decreased modestly to £547m (2024: £553m), consistent with the stabilisation of the lending portfolio. During the year, the remaining balance of the Bank of England’s Term Funding Scheme with additional incentives for SMEs (“TFSME”) was repaid in full.

We continue to focus on property-backed lending, supported by our savings franchise, with a particular focus on SMEs, charities, clubs and associations. We benefit from a well-established and positive culture, placing customers at the heart of all of our decision-making. I am pleased to report that the continued energy and commitment of our colleagues across the business are reflected in consistently strong customer satisfaction and advocacy scores.

Our capital position remained stable throughout 2025. We continued to invest prudently in building a robust operating infrastructure with a dedicated and experienced team, positioning the Bank for its next phase of growth. In parallel, and in order to help drive future lending growth, a number of enhancements

were made to the lending proposition during the year, including improvements to our operational efficiency and refinements to products and pricing to better meet our customers’ needs.

The Board continues to oversee the Bank’s preparations for the implementation of Basel 3.1 and the simplified capital regime under the Small Domestic Deposit Takers (“SDDT”) framework. The new capital regime will come into effect from 1 January 2027, and the final Basel 3.1 rules were published in January 2026. A dedicated working group, comprising representatives from our first and second lines of defence, is assessing the impact of the new regulations and engaging with internal stakeholders to support the timely and effective implementation of the standards.

We recognise the importance of a clear and robust environmental, social and governance (“ESG”) framework, including the effective management of climate-related risks, through embedding ESG in our strategy and risk appetite. As part of our climate risk management approach, we continue to promote our Green Reward mortgage proposition, incentivising landlords to improve the energy efficiency of their properties and providing a differentiated customer offering that supports retention and responsible portfolio growth. Furthermore, we are committed to recruiting the best candidates for roles in the Bank.

Future strategy

We remain committed to serving the needs of our customers by building long term relationships with property investors and other business customers, mainly through our broker network. We continue to manually underwrite all lending, invest in technology to improve processes, and focus on delivering an excellent customer experience. Enhancing the end-to-end customer journey for lending customers, including the launch of a new broker portal, are key priorities for 2026.

To date, growth has been constrained by the level of available regulatory capital. With additional capital, the Bank has the capacity to grow its balance sheet significantly, without incurring a proportionate increase in operating costs, thereby enhancing value for shareholders and other stakeholders. As disclosed in the Bank’s 2024 Annual Report and Accounts, Redwood Financial Partners Limited (“RFPL”), the Bank’s parent company, received an indicative offer to buy out its private shareholding and invest further capital into the Group and ultimately into the Bank. However, following our due diligence process, we decided to discontinue consideration of this opportunity. The Group has, however, continued to explore alternative capital-raising opportunities. This has resulted in the receipt of an alternative indicative non-binding offer for the purchase of the entire shares held by the existing shareholders of RFPL. As a result, another due diligence exercise is currently taking place.

Our senior team

During the year, Sergio Cruz was appointed Chief Financial Officer, succeeding Ashraf Piranie, and has received regulatory approval. Sergio has held a number of senior positions at the Bank over the past eight years, spanning Risk, Strategy, Treasury and Finance, and brings deep institutional knowledge and broad functional experience. His appointment comes at an important stage in the Bank’s strategic development, as we prepare for future growth and respond to an evolving regulatory and capital environment.

Summary

Economic, market and geo-political challenges are expected to persist during 2026 due to the recent conflict in Iran, resulting in significant increases in energy prices which are likely to lead to inflationary pressures and potential interest rate hikes. As a consequence of this, the Bank of England maintained the Base Rate at 3.75% at the Monetary Policy Committee in March 2026¹. Uncertainty about the duration and scale of the conflict and its impact are being closely monitored and will influence the short and medium term monetary policy decisions in relation to movements in the Base Rate.

We have established a strong, resilient, customer focused operating model. Disciplined risk management,

experienced underwriting and proactive customer engagement have continued to support improved asset quality and liquidity strength, while targeted investment in infrastructure, technology and people has enhanced operational capability and scalability. The progress made during 2025 leaves the Bank well placed to respond to changing customer needs, navigate ongoing economic challenges and deliver sustainable value for shareholders, customers and other stakeholders.

I would like to thank our shareholders for their continued support. I would also like to thank our colleagues for their professionalism, dedication and commitment, which remain central to the Bank’s continued success. Last, I would like to thank my fellow board members, independent and executive, for steering the business.

Mark Winlow
Chairman



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MARK WINLOW

¹ March 2026 Monetary Policy Summary and Minutes

CEO's report



Overview

During 2025 we focused on building strong foundations for future growth. We made targeted investments in our infrastructure, including the development of a new broker portal, which was delivered internally towards the end of the year, and which we plan to launch to brokers in 2026. We further improved our processes, efficiency and use of data and customer engagement to reduce arrears and provide effective support to customers experiencing financial difficulty.

The disciplined strategic choices made during the year are intended to support the Bank's future growth and expansion of its customer base. Despite these planned investments, we were able to reduce operating costs compared to last year. However, a reduction in net interest income has had an overall adverse short-term impact on profitability in 2025.

In 2025, we focused on maintaining a stable balance sheet and resilient customer base, delivering a profit before tax of £0.8m (2024: £2.7m), our fifth consecutive year of profitability. At the end of 2025, we had over 6,900 customers, with deposit balances of £547m (2024: £553m) and lending balances of £490m (2024: £492m). Since inception in 2017, we have lent over £850m, supporting SMEs across the UK with their borrowing needs.

2025 performance summary

In 2025, profit before tax reduced to £0.8m, from £2.7m in 2024, driven primarily by a £3.5m reduction in net interest income. This was partially offset by a £1.1m reduction in impairment charges, a £0.4m decrease in administrative costs and a £0.1m increase in fair value gains on financial instruments.

Net interest margin ("NIM") reduced to 3.48% (2024: 4.00%), reflecting a combination of factors. These included a lower average lending rate arising from our increased focus on residential buy-to-let lending, the gradual reduction in the Bank of England Base Rate from 4.75% at the start of the year to 3.75%, and its impact on variable-rate lending and treasury asset income. In addition, the highly competitive savings market resulted in a slower pace of reduction in the average interest rates paid on deposits in comparison with the reductions in Base Rate.

As at 31 December 2025, Common Equity Tier 1 ("CET1") capital was £48.9m (2024: £48.4m), representing a CET1 ratio of 16.6% (2024: 15.1%), comfortably in excess of the Bank's regulatory minimum requirement. Net asset value increased to £50.0m (2024: £49.4m).

The loan book reduced slightly by £1.8m to £490m (2024: increase of £78m). Impairment charges reduced to 0.2% of the gross lending book (2024: 0.4%), with impairment provisions coverage remaining at 1.0% of lending balances (2024: 1.0%). New lending totalled £91m (2024: £136m), driven primarily by continued growth in fixed-rate residential mortgages, which were launched in 2023. Redemptions were £85m (2024: £55m).

Total customer deposits reduced by £6m to £547m (2024: increase of £53m). The Bank continued to demonstrate its ability to generate liquidity quickly when required. Cash management services remain an ancillary component of the funding strategy.

At year end, we held £103m (2024: £106m) of unencumbered High-Quality Liquid Assets and reported a Liquidity Coverage Ratio (“LCR”) of 362% (2024: 284%). During the year, £18.7m of TFSME funding was repaid in full. We continue to have access to the Bank of England’s Sterling Lending Facilities, and we have plans to pledge eligible loans as collateral to support more strategic and efficient liquidity planning, including as a contingency under stressed conditions.

Proven operating model

We have developed a robust and scalable operating model, underpinned by a cloud-based technology platform. During 2025, we continued to invest in our core IT infrastructure, including enhancements to the core banking platform, security and resilience, and the introduction of a new broker portal. These investments support improved customer service, operational efficiency and long-term scalability, while safeguarding customer funds.

To support the growth of our fixed-rate lending proposition, we continued to execute interest rate swap transactions, as part of our interest rate risk management framework.

Customer experience

We continue to offer a bespoke service to lending customers, alongside quick, efficient and straightforward account opening and servicing for savings customers. All customers have access to our UK-based colleagues, ensuring high-quality personal service.

Throughout 2025, we continued to provide tailored support to customers experiencing financial difficulty through our dedicated relationship management team, with a resultant reduction in arrears and defaults rates.

In response to broker feedback, a number of lending proposition operational enhancements, commercial improvements to the product range and revised pricing options, were delivered during the year. We increased the use of application programming interfaces (“API”) to accelerate new business processing and expanded our use of credit bureau data to strengthen credit assessment.



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GARY WILKINSON

For residential investment buy-to-let mortgages, the timing of obtaining property valuations was moved to earlier in the process, alongside introduction of decisions in principle (“DIPs”), improving speed and customer certainty. In Q4 2025, we revised our LTV and credit worthiness tiered pricing framework which supported by an online loan calculator and an enhanced credit grading model to support credit risk management.

Further proposition enhancements were introduced across residential and commercial lending products, including more competitive affordability metrics, improved pricing on two-year, three-year and variable-rate products, providing greater customer choice beyond the five-year fixed rate products as Base Rate continued to fall. The commercial investment proposition had enhancements to its debt service coverage metrics and extended lending terms of up to 30 years.



Customer satisfaction scores remained strong. During the year, 94% (2024: 93%) of surveyed customers reported satisfaction with the service received, and we achieved a Net Promoter Score of +58 (2024: +52) for our services.

We received the Business Moneyfacts Award for Best Business Variable Rate Deposit Account Provider 2025 for the seventh consecutive year and were finalists for Best Fixed Savings Provider and Best Service from a Commercial Mortgage Provider. We were also shortlisted at the National Association of Commercial Finance Brokers ("NACFB") Lender Awards 2025 for Buy-to-Let Lender of the Year and Sustainability Champion of the Year. Our new website was shortlisted for a UK Digital Excellence Award, reflecting improvements in overall usability and digital engagement.

Consumer Duty requirements have been embedded across the savings business, supported by an independent Non-Executive Director acting as Consumer Duty Champion. We remain focused on delivering good customer outcomes at every stage of the customer journey for both lending and savings customers.

Stable funding base

We have an established savings customer base of over 6,000 customers, with £547m of deposits at year-end (2024: £553m). Notice periods and maturities ranging from 35 days to five years provide a stable and predictable funding profile, supporting effective liquidity risk management.

Our people

Our colleagues are central to our success and to the delivery of our customer focused strategy. We are committed to fostering an inclusive, supportive and high-performance culture that enables our people to grow, develop and contribute meaningfully to our long-term success. This is underpinned by a strong emphasis on respect, diversity of thought and openness, ensuring that colleagues from all backgrounds feel valued and empowered.

We continue to invest in attracting, developing, and retaining talent, recognising that our people are a key differentiator in a specialist banking environment. We operate a hybrid working model, providing flexibility for colleagues to balance working from home and in the office, regardless of their seniority or role. We have promoted wellbeing by raising mental health awareness and offering health assessments to all employees.

Diversity, equity and inclusion ("DE&I") remains a core priority. As part of our commitment to building a more diverse leadership group, female representation at Senior Management Level ("SML") increased to 40% at the end of December 2025 (2024: 39%). SML includes members of the Board, Executive Committee, Business Leadership Group and Heads of Department. As a signatory to the Women in Finance Charter, we have achieved our target of at least 30% female representation at SML, which we regard as a minimum threshold and a foundation for continued progress. We held our first Women in Focus conference which was part of a wider programme of activities focused on building an empowered culture of inclusivity.

During the year, we established a Colleague Forum, bringing together the existing DE&I Network and Culture Club into a single, cohesive platform. The forum is designed to strengthen colleague engagement, provide a structured channel for dialogue, and support collaboration across the business. It enables diverse perspectives to be shared and helps to shape initiatives that promote equality, respect and belonging, while reinforcing our values and culture.

In May 2025, we undertook a comprehensive Diversity & Inclusion (“D&I”) survey through an external provider, People Insight. The results were highly encouraging, with a D&I Index¹ score of 81%, reflecting a positive culture of inclusion, belonging and fairness. High favourability scores were achieved across inclusion, belonging and equity. The results highlight strong peer relationships, fair management practices and an environment in which colleagues feel able to be themselves at work, providing assurance that we have a strong cultural foundation and inform our ongoing focus on continuous improvement. In addition, we were shortlisted for awards at the Women in Business and Finance Awards and the Women and Diversity in Credit Awards.

Environmental, social and governance

During 2025, we continued to strengthen our environmental, social and governance (“ESG”) framework, supported by robust governance arrangements and active Board oversight. Building on the success of the Green Reward mortgage proposition launched in 2023, we made further progress in embedding ESG considerations into our strategy, risk management and decision-making processes. The Board-endorsed ESG Strategic Horizon Action Plan provides a structured pathway to systematically integrate ESG priorities into our operations, ensuring measurable progress and regulatory alignment proportionate to the Bank’s size and business model.

Our environmental focus included enhanced scenario analysis and stress testing, alongside the refinement of metrics used to monitor climate-related risks and emissions. The continued growth in energy efficient properties within our lending portfolio reflects this disciplined approach.

Social responsibility remains integral to our purpose as a specialist SME bank. We continued to support local charities and community initiatives during the year, including partnerships focused on financial education and charitable donations, reinforcing our role as a responsible local banking partner.

Current economic environment

The economic outlook remains characterised by subdued economic growth and ongoing geopolitical uncertainty. While the UK economy is expected to experience modest growth in 2026, external factors, including global trade tensions and elevated tariffs, continue to create uncertainty for businesses and consumers alike.

Against this backdrop, we continue to apply suitable affordability assessments and a bespoke approach to lending, considering customers’ individual circumstances. Supporting customers through periods of financial difficulty remains central to our approach, with tailored engagement and intervention forming a core part of our risk and customer-outcomes framework.

Looking ahead

Despite a challenging and uncertain economic environment, we remained profitable in 2025 and are well positioned to deliver a steady, sustainable and improved performance in the years ahead. Our strategy is focused on continuing to build on our strengths in residential buy-to-let (“BTL”) and commercial lending, launching new products, enhancing services, and improving customer services and outcomes. In this regard, we are looking to expand our lending offerings by launching a new residential BTL bridging product, and considering partnering with another lender to source, distribute, underwrite and service commercial lending products on their behalf known as “forward flow”.

The capital raising opportunity currently being explored and referred to in the Chairman’s report provides an opportunity to accelerate the Bank’s balance sheet growth in a disciplined manner and to enhance the value that is delivered to all stakeholders.

Our progress is driven by the dedication and expertise of our colleagues. I would like to thank them, alongside our brokers, professional advisers, technology and other partners, for their continued commitment and support in delivering our strategy and long-term objectives.

Gary Wilkinson
Chief Executive Officer

¹ A combined, data-driven metric that quantifies the overall state of Diversity, Equity and Inclusion in an organisation by analysing employee survey results, demographic representation, and inclusion sentiment. It summarises how diverse the workforce is, how fairly people are treated, and how included and supported employees feel.

Business model and strategy

The Bank was established in 2017 to support UK businesses, providing a real alternative for small- and medium-sized organisations looking to make sure that their properties and cash work harder for them. Through its core values and tireless focus on the customer, the Bank aims to build sustainable relationships with borrowers, brokers and depositors, emphasising the Bank’s expertise in its chosen markets.

We offer our SME customers straightforward loans and savings accounts, backed by tailored service and efficient technology. Our commitment to serving the needs of our customers remains at the heart of everything we do and will continue to underpin our strategic plans into the future. We have continued with a consistent market presence, providing competitive savings rates for new and existing customers and surety of service for lending customers in a challenging interest-rate environment.

Our lending focuses on secured commercial and residential BTL mortgages. These are funded through deposit (savings) notice accounts and bonds, offered to businesses, charities, clubs and associations, directly and indirectly, through cash management services, with varying notice or maturity periods between 35 days and five years.

The Bank is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and Financial Conduct Authority (“FCA”).

The Bank’s mission is:

“To become the UK’s best, go-to, specialist business bank, working tirelessly to provide our SME customers with simple, clear products and fast decisions that allow their businesses to grow.”

The Bank’s core purpose remains as follows:

1. To build sustainable relationships with borrowers, brokers and depositors to maintain and attract the customers we seek.
2. To provide products that will be attractive to the Bank’s customers and develop a satisfied and well serviced depositor base.
3. To provide loans to SMEs, through engagement of a highly experienced team.
4. To put the Bank’s customers and colleagues at the heart of everything we do and help our local communities grow.
5. To be the Bank synonymous with a culture that cares about staff and customers.
6. To achieve growth utilising chosen suppliers through the Bank’s desired distribution channels.
7. To create jobs and contribute to the development of the local economies where the Bank’s offices are based.

Keeping the customer at the heart of decisions and generating positive customer outcomes are central to our culture and, therefore, are essential to its success as a lender and deposit taker. The Bank’s products, processes and communications are developed and assessed with these positive customer outcomes in mind, with a strong commitment to the Consumer Duty regulation and our values.

Values and culture

The Bank maintains a strong people and customer culture and its core values remain relevant as the organisation evolves. The values guide our behaviours internally among staff and externally for its customers. Those values are:

- **Integrity** – treating people how you would like to be treated;
- **Certainty** – reassurance that you are in the right place;
- **Tireless** – it’s about a genuine passion for our customers’ success; and
- **Simplicity** – it’s about not hiding behind the asterisk.

Strategy

The Bank believes additional capital will provide the impetus and capability to unlock the Bank's true potential. Its key priorities are:

- Capital – deliver and secure new capital, this being the number one priority in 2026;
- Core Lending Growth - be the first choice for specialist lending in its chosen market(s);
- Alternative Asset and Loan Growth – reduce reliance on core lending and diversify its asset classes and deliver new income opportunities including launching bridging and forward flow;
- Funding Growth – diversify funding sources to support future growth;
- People & Culture – ensure optimal resource allocation and maximise the potential of its people;
- Core Infrastructure – build a scalable and resilient infrastructure to enable future growth; and
- Customer First – underpin all the Bank's priorities with a tireless focus on the customer.

We are continually assessing the Bank's overall strategy to ensure it remains relevant, effective and capable of delivering value to all stakeholders. The Bank expects the core of its lending to continue to be property-backed mortgages to SMEs, including professional landlords, who are commercial and residential property investors.

Assessments of all risks to the strategy are carried out regularly, including in respect of net interest margin, impairment and external market influences, such as Base Rate changes, inflation outlook, changes to property prices and rising unemployment. We also remain alert to developments in the broader macro-economic environment, both domestically and globally. The recent conflict in Iran has had a very significant impact on energy prices across the globe and is likely to drive an increase in inflationary pressures. The economic impact of the conflict is still undetermined due to a high degree of uncertainty in terms of its duration and scale, there is wide consensus that higher inflation, lower economic growth and higher than previously expected Base Rate will be prevalent in the short to medium term macroeconomic outlook in the UK. The Bank continues to assess its capital, and liquidity plans to ensure adequacy, prudence and regulatory compliance. See principal risks on pages 24 to 26 for further assessment of risks regarding capital and liquidity.



Performance review

Profit and loss

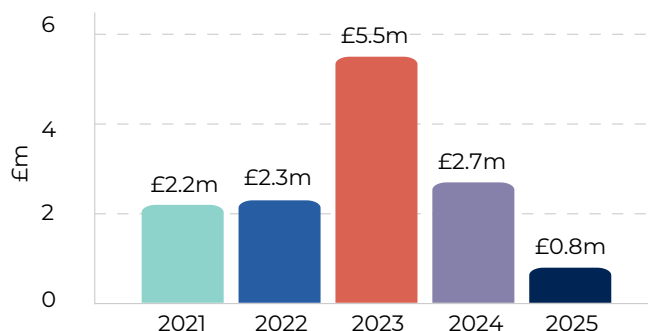
Summary profit and loss statement (£)

	2025	2024
Interest receivable	45,241,843	49,521,006
Interest payable	(22,521,076)	(23,269,459)
Net interest income	22,720,767	26,251,547
Fair value gains/(losses) on financial instruments	80,899	(8,932)
Total income	22,801,666	26,242,615
Administrative expenses	(21,265,984)	(21,675,255)
Impairment charge on loans and advances to customers	(756,168)	(1,869,546)
Profit before tax	779,514	2,697,814
Tax charge	(176,701)	(869,726)
Profit for the year	602,813	1,828,088

Profit before tax

In a year with continued reductions in Base Rate and slow economic growth, the Bank made a profit for the fifth consecutive year in its eight-year history. It reported a profit before tax of £0.8m (2024: £2.7m). The reduction in profit before tax is mainly due to a decrease in net interest income by £3.5m, partially offset by a £1.1m reduction in impairment charges, a £0.4m decrease in administrative costs and a £0.1m increase in fair value gains on financial instruments. Operating profit before impairment charge reduced to £1.5m (2024: £4.6m), driven mainly by the lower BoE Base Rate, resulting in a reduction in net interest income.

Profit before tax

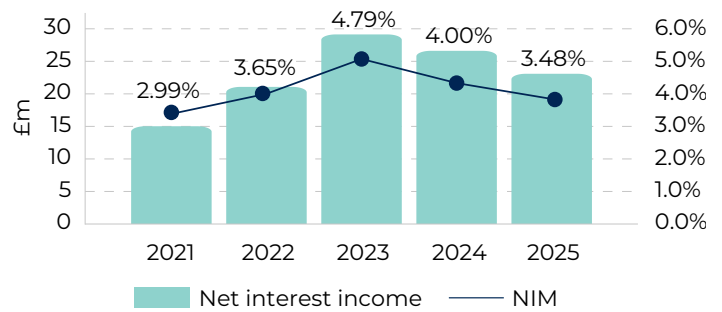


In a year with continued reductions in Base Rate and slow economic growth, the Bank made a profit for the fifth consecutive year in its eight-year history.

Net interest income and net interest margin

The Bank delivered a net interest margin of 3.48% (2024: 4.00%) during the year. The average lending interest rate achieved during the year was 7.87% (2024: 8.93%), with the decrease mainly due to product mix changing heavily towards residential fixed rate lending. The average interest rate paid on deposits during the year was 3.95% (2024: 4.30%) driven by gradual decreases in market deposit rates following reductions in the BoE Base Rate during 2025.

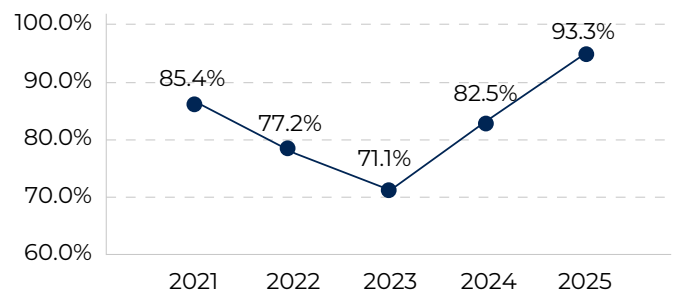
Net interest income and net interest margin



Cost-to-income ratio

Despite the reduction in net interest income the Bank has continued to invest in its people and infrastructure to ensure the business is well placed for the next phase of growth. While the cost to income ratio has increased to 93.3% (2024: 82.5%) due to reduced income, this is not considered to be reflective of underlying inefficiency, and the Bank's future balance sheet growth is not expected to result in a proportionate increase in costs.

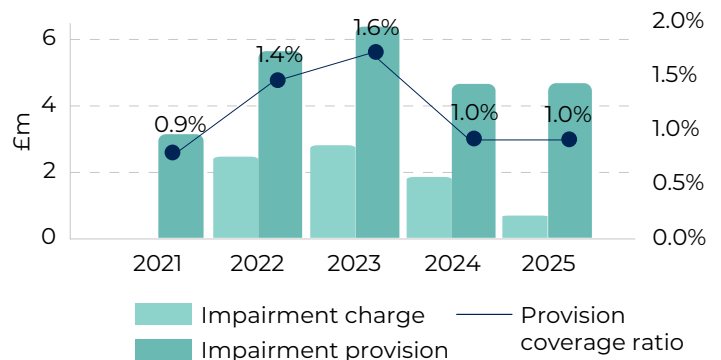
Cost-to-income ratio



Impairment

The Bank experienced decreases in arrears levels in 2025 (explained in Note 12), reflecting the reduction in Base Rate, the gradual reduction of inflation, and its proactive management of arrears cases. The Bank continued to review its lending portfolio extensively during 2025, including stressing the value of collateral and reassessing the probability of anticipated losses. The Bank has created appropriate levels of impairment provisions to capture the risks associated with its lending portfolio. The impairment charge on lending products reduced from £1.9m to £0.8m during the year. The Bank dealt with a number of defaulted cases, and crystallised losses totalled £0.9m. Impairment provisions decreased slightly from £5.0m to £4.9m, representing 1.0% (2024: 1.0%) of total lending as at 31 December 2025. In 2024, the impairment charge of £1.9m included a material, non-recurring impairment of £1.0m that represented an impairment charge made in full against a debt arising from professional fees paid by the Bank on behalf of the counterparty to the discontinued reverse takeover transaction.

Impairment charge and provision and provision coverage ratio



Balance sheet

Summary balance sheet (£)

Assets

	2025	2024
Liquid assets	114,371,634	140,610,306
Loans and advances to customers	490,444,848	492,244,170
Other assets and prepayments	5,226,866	2,728,608
Total assets	610,043,348	635,583,084

Liabilities

Amounts due to banks	-	18,726,182
Customer deposits	546,762,522	552,995,571
Other liabilities and accruals	4,297,756	5,177,136
Tax liability	-	303,938
Subordinated debt	9,000,000	9,000,000
Total liabilities	560,060,278	586,202,827

Total equity

49,983,070 **49,380,257**

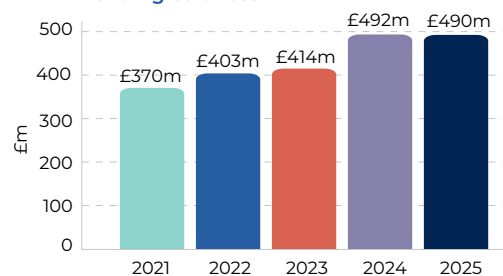
Total equity and liabilities

610,043,348 **635,583,084**

Lending

The Bank's total lending book decreased by £2m (2024: increase of £78m) during the period, to £490m (2024: £492m), mainly driven by redemptions of £85m (2024: £55m) and lending repayments of £8m (2024: £3m), partially offset by new lending drawdowns of £91m (2024: £136m). The gross lending book before impairment provision decreased slightly by 0.4% to £496m (2024: £498m). The Bank continued to support all customers through their lending experience, as well as refining the overall service proposition, to drive new business opportunities.

Lending balances



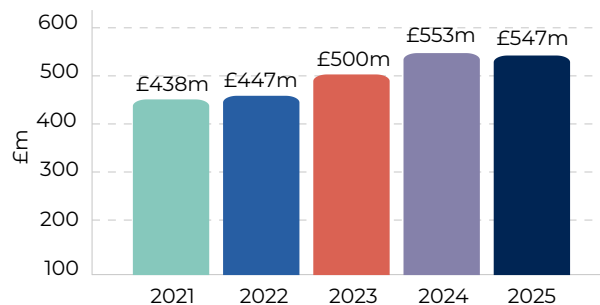
Lending drawdowns



Deposits

Total deposits held by the Bank decreased by £6m (1.1%) (2024: increase of £53m; 10.6%) during the year to £547m (2024: £553m). Term deposits (1-year, 2-year and 5-year bonds) decreased by £25m to £198m (2024: £223m), while notice deposits increased by £19m to £348m (2024: £329m). The amount drawn under the Bank of England's Term Funding Scheme with additional incentives for SMEs ("TFSME") was reduced to £nil (2024: £18.7m) at the 2025 year end as the Bank repaid the remaining amount of £18.7m during the year.

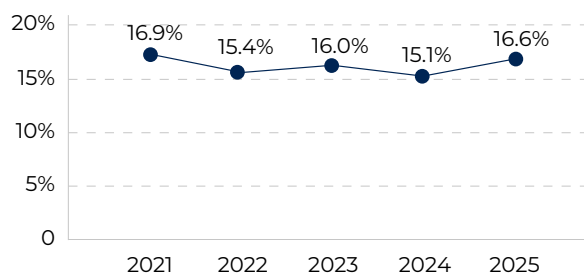
Deposits



Common equity tier 1 ratio

CET1 capital, as at 31 December 2025, was £48.9m (2024: £48.4m) and this exceeded the regulatory minimum required. The CET1 ratio was 16.6% (2024: 15.1%).

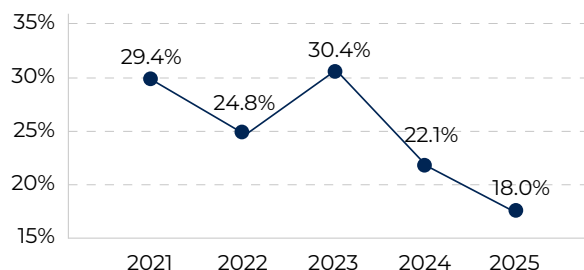
Common equity tier 1 ratio



Liquid assets as % of total assets

The Bank held £110m (2024: £140m) in liquid assets at the year end, comprising cash and cash equivalents, including deposits at the Bank of England and loans and advances to banks, and UK gilts. Total liquidity held is sufficient for the Bank's lending needs and exceeds amounts required to meet its regulatory requirements. Liquid assets comprised 18.0% of the Bank's total assets at the 2025 year end (2024: 22.1%), as the Bank continues to optimise the composition of its balance sheet.

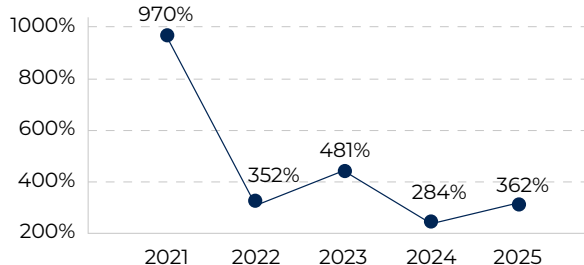
Liquid assets as % of total assets

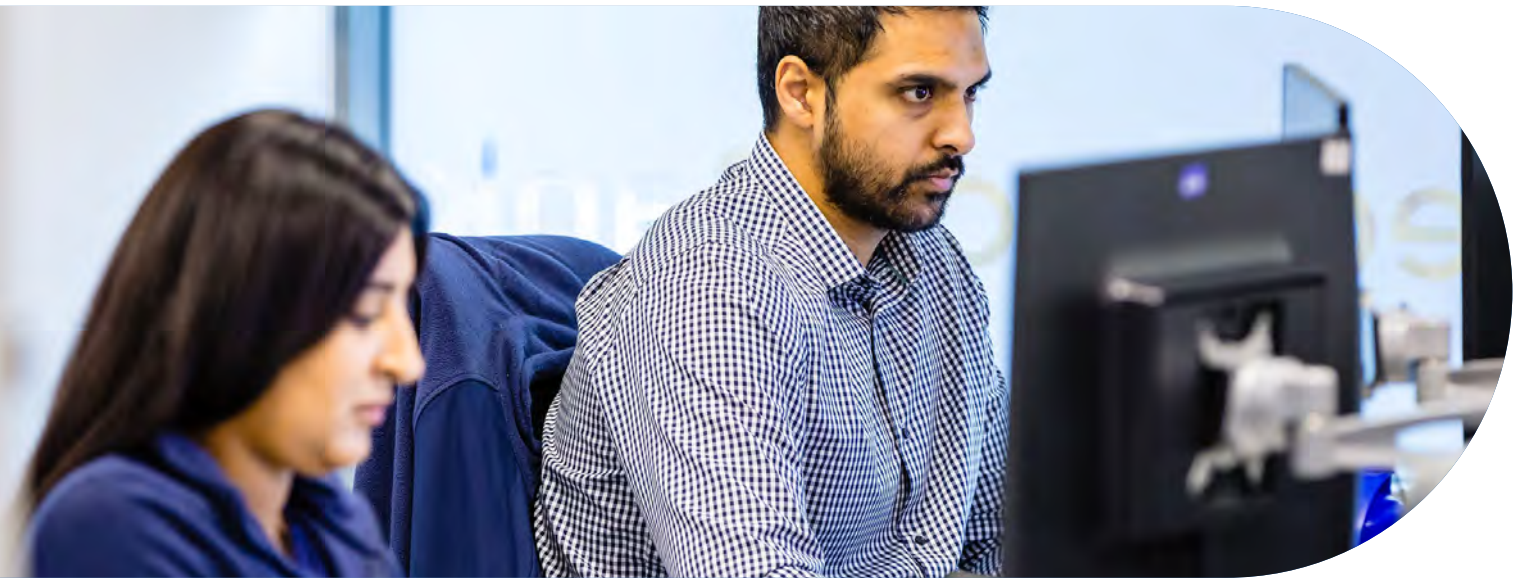


Liquidity coverage ratio

The Bank's liquidity coverage ratio of 362% as at 31 December 2025 (2024: 284%) exceeded the regulatory minimum of 100% set by the PRA. The Bank held a total value of unencumbered high-quality liquid assets of £103m (2024: £106m).

Liquidity coverage ratio





Non-financial metrics

Customer satisfaction and advocacy

The Bank continued to measure its customer satisfaction and advocacy during 2025. Results showed that 94% (2024: 93%) of customers were satisfied with the service they received from the Bank.¹ Customers graded the Bank as +58 (2024: +52) using the Net Promoter Score question for recommending the Bank’s services.²

Customer feedback

The Bank treated all customer complaints seriously through investigation and communication back to the customer, and as an opportunity to learn from the feedback to improve future customer service. It received 133 complaints in 2025 (2024: 165), of which just under a third (just over a half in 2024) were upheld by the Bank. In 100% of cases referred to the Financial Ombudsman Service (“FOS”) since the Bank’s inception, the FOS has supported all the decisions made by the Bank. The Bank received 456 (2024: 409) customer compliments during the year. 3.5 compliments were received for every complaint received in 2025 (2024: 2.5).

Staff engagement

In May 2025, through an external platform provider, People Insight, the Bank conducted a comprehensive Diversity & Inclusion survey. The results were highly encouraging, with the Bank achieving a strong D&I Index score³ of 81%, reflecting an overall positive culture of inclusion, belonging, and fairness. Notably, areas such as Inclusion, Belonging, and Equity received high favourability, underscoring the strength of working relationships between colleagues, managerial fairness, and a workplace culture that supports authenticity and respect. These results affirm that the Bank has a solid foundation for inclusion and reinforce its commitment and success to date in fostering an environment where every colleague feels valued, respected and empowered.

1. Based on the customer satisfaction survey conducted during the year

2. Net Promoter Score is measured from an 11-point scale question, through an equation to produce a recommendation score lying between -100 (very low recommendation) and +100 (very high recommendation)

3. The definition is given in the CEO’s Report.

Directors' statement of compliance with Section 172 of the Companies Act 2006

The Directors have acted in good faith and in a manner to promote the success of the Bank for the benefit of its members as a whole. Consideration of the specific relationships is provided in the next section.

Stakeholder engagement

The Board of Directors consider that they have acted in good faith and in the way they consider that would be most likely to promote the success of the Bank for the benefit of its shareholders as a whole and, in doing so, have regard to a number of matters set out in Section 172(1) (a) to (f) of the Companies Act 2006. The Bank recognises that it has six key stakeholder groups, as set out in the table below alongside the Bank's engagement with each stakeholder:

Stakeholder	Description	Engagement
Shareholders	The Bank is a wholly owned subsidiary of Redwood Financial Partners Limited	The Bank maintains close relations with its shareholders and has a stringent governance regime to protect its shareholders' investments. One of the Bank's key strategic objectives is to deliver strong shareholder returns. Its strategic plan forecasts continued profitability over the next five years.

Continued >

Stakeholder	Description	Engagement
Customers	The Bank has in excess of 6,900 customers across depositors and borrowers	<p>Good customer outcomes are central to the Bank's culture and therefore essential to its success as a lender and deposit taker. The Bank's products, processes and communications are developed and assessed with these positive customer outcomes in mind, with a strong awareness of regulation and the Bank's values.</p> <p>The Bank's customer feedback framework and customer satisfaction programmes have, and will continue to, evolve and improve, with regular Management Information ("MI") on customer satisfaction, customer advocacy and verbatim customer feedback from the following four distinct sets of customers at different stages of the customer journey or lifecycle:</p> <ul style="list-style-type: none"> • New deposit customers; • Existing deposit customers; • New lending customers; and • Existing lending customers. <p>Vulnerable customers within these four groups are also monitored and reported on to ensure good outcomes for all customers, including those with differing needs.</p> <p>In addition, the Bank receives regular feedback from its broker network.</p> <p>Key Customer Outcome indicators are included in the regular Conduct Risk MI reported to the Conduct, Compliance and Operational Risk Committee and Risk Committee. Customer outcomes are detailed within the Bank's approved conduct risk, managing feedback from dissatisfied customers and vulnerable customer policies.</p> <p>The Bank has embedded the Consumer Duty across the savings business. It continues to focus on its relentless support for its customers, striving for good customer outcomes at all touch points with both savings and lending customers.</p>

Continued >

Stakeholder	Description	Engagement																																									
Employees	The Bank employs 138 employees who are based mainly in offices in Letchworth Garden City and Warrington	<p>The Bank seeks to recruit and retain high calibre employees. Staff satisfaction, engagement, compensation and welfare are critical elements in ensuring retention, and are ongoing areas of focus for the Bank, along with ensuring diversity and inclusion.</p> <p>The Bank’s mission is to build a business bank whose customers are at the heart of everything it does. To help achieve this, it needs to continue developing a shared understanding of how to behave, both with customers and colleagues.</p> <p>Following on from the development of its core values, the Bank identified a set of behaviours that are desired, along with what attitudes should be demonstrated by all employees to support the delivery of the Bank’s business plan. These behaviours translate values into tangible, observable and measurable elements that can be implemented, assessed and improved, and form a central part of its working culture and people management processes.</p> <p>The behaviours underpin a values and behaviour-based approach to the recruitment and management of staff, which enables the Bank to effectively recruit people who fit with the Bank’s culture, and who will therefore focus on good outcomes for customers. This approach is needed to:</p> <ul style="list-style-type: none"> • Continuously improve performance; • Enhance professional development; • Recruit and retain talented people; and • Encourage a ‘one team’ work ethic. <p>These behaviours, combined with individual and corporate performance against objectives, inform the variable components of the Bank’s remuneration package, which includes a Long-Term Incentive Plan (“LTIP”) and annual cash settled bonus detailed in Notes 2.14, 9 and 10. In setting its Remuneration Policy, the Bank has given consideration to the principles and provisions relating to remuneration in the FCA’s Remuneration Code and the Remuneration Part of the PRA’s Rulebook.</p> <p>Directors and employee statistics as at end of December 2025 and December 2024 were as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">2025</th> <th colspan="3">2024</th> </tr> <tr> <th>Male</th> <th>Female</th> <th>Total</th> <th>Male</th> <th>Female</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Directors of the Bank</td> <td>6</td> <td>2</td> <td>8</td> <td>6</td> <td>2</td> <td>8</td> </tr> <tr> <td>Employees in Senior Management Team</td> <td>13</td> <td>10</td> <td>23</td> <td>13</td> <td>10</td> <td>23</td> </tr> <tr> <td>Other employees</td> <td>54</td> <td>53</td> <td>107</td> <td>61</td> <td>57</td> <td>118</td> </tr> <tr> <td>Total</td> <td>73</td> <td>65</td> <td>138</td> <td>80</td> <td>69</td> <td>149</td> </tr> </tbody> </table>		2025			2024			Male	Female	Total	Male	Female	Total	Directors of the Bank	6	2	8	6	2	8	Employees in Senior Management Team	13	10	23	13	10	23	Other employees	54	53	107	61	57	118	Total	73	65	138	80	69	149
	2025			2024																																							
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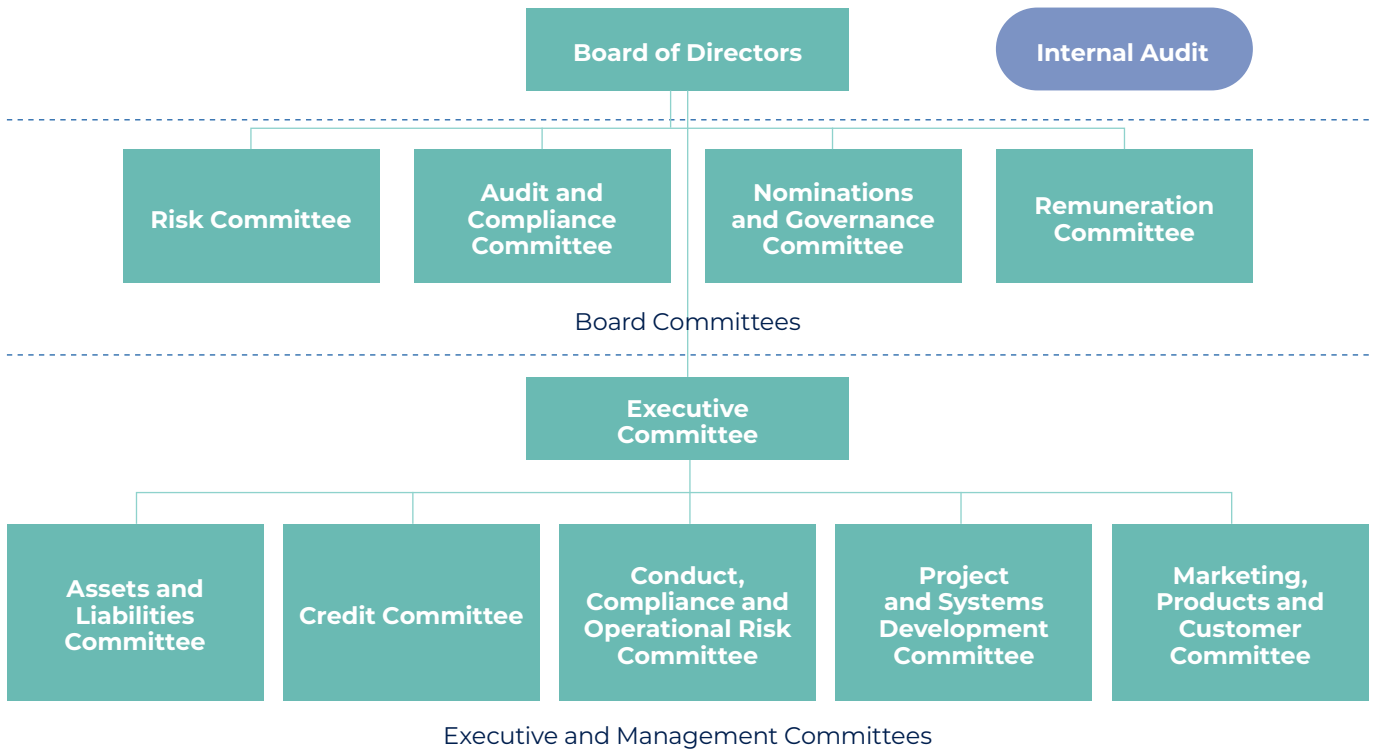
Stakeholder	Description	Engagement
Regulators	The Bank is regulated by the PRA and FCA	The Bank maintains close and constructive relations with its regulators and responds to any requests in a timely manner. It ensures that all relevant metrics are maintained within the regulatory framework provided, and regularly submits reports to the regulators to that effect. The Bank continued the strengthening of its second line of defence, governance, operational risk framework, underwriting processes and management information, to address the challenges arising from the evolving needs of its customers and to continue to maintain compliance with the expectations of the regulators.
Community	The communities local to where the Bank has offices, employees and customers	The Bank continues to fulfil charity and community engagements at both local and national levels. Details are set out in the Sustainability report on pages 29 to 30.
Third party suppliers	The businesses and individuals who provide goods and services that the Bank uses to enable it to service its customers	<p>The Bank continues to operate an “outsourced service provider model”. As a result, third party suppliers are identified as key stakeholders of the Bank. During 2025 the Bank reviewed and updated its Procurement Policy and supporting procedures that detail the supplier selection process and ongoing monitoring cadences. The Bank continues to be part of the Hellios Financial Supplier Qualification System (“FSQS”) community which supports enhanced oversight, both at onboarding and during the contract lifecycle. FSQS enables it to standardise and manage requests for compliance and assurance data, while minimising duplication for suppliers who are engaged with other Hellios community members.</p> <p>Suppliers are required to sign up to the Bank’s Supplier Code of Conduct at onboarding and remain subject to ongoing due-diligence reviews throughout the lifecycle of the relationship, confirming their commitment to act ethically and in full alignment with the Bank’s expectations on modern slavery and human rights.</p> <p>The Bank undertook a full review of its suppliers and their materiality to the Bank and its operations. As such, the Bank has identified a small number of material suppliers that are subject to annual reviews, as well as regular monthly or quarterly performance meetings where service performance, management information, business updates and external market changes are monitored and reviewed. The monthly Supplier Forum, which was established in 2024, continues to provide a dedicated space for discussion on all aspects of supplier management, and, where required, acts as a conduit for review and oversight at the appropriate management committee.</p>

Governance and risk management

Governance structure

The Bank is committed to achieving and delivering consistently high corporate standards that are part of a robust governance structure with clear and transparent individual lines of responsibility. This is supported by relevant committee oversight and individual statements of responsibilities that comply with the Senior Managers and Certification Regime.

An external Board Performance Review was undertaken in 2025. The resultant report concluded that the Board continues to have a strong independent Non-Executive Director composition and good decision-making processes, with the Board involved and engaged along the way. The Bank is governed by a Board of Directors, and various Board and management committees as set out in the diagram below:



The Board comprises Executive and independent Non-Executive Directors, with a majority of the Board Directors being independent. Board Committees comprise independent Non-Executive Directors only, but are regularly attended by Executives and other senior management as deemed appropriate. Executive and Management Committees comprise Executive members and senior management, although may be attended by other Bank staff as required.

Within this framework the Bank operates a typical banking "Three Lines of Defence" risk structure, as follows:

First Line of Defence ("FLOD")

The FLOD comprises the Bank's client-facing origination units (e.g. Residential BTL and Commercial mortgage lending) plus Underwriting, Finance and Treasury, IT, Operations, Relationship Management, Products and Marketing, General Counsel and People. All members of such areas play a key role in the Bank's risk management processes and are required to understand and comply with its risk policies and procedures relevant to the activities they undertake.

The following specific responsibilities are allocated to the FLOD:

- ownership of the risks it introduces to the Bank;
- delivery of new initiatives and risk assessments;
- primary responsibility for the day-to-day management of the Bank's exposure to risks arising from the activities undertaken;
- development and maintenance of an effective control environment that includes appropriate preventative and detective controls to ensure that risks, both existing and potential, remain within the Bank's Risk Appetite; and
- production of Management Information in a form and at a frequency commensurate with the underlying risk and activities undertaken.

Second Line of Defence ("SLOD")

The SLOD comprises the Bank's oversight and risk management functions. For the Bank, this comprises the Bank's Risk and Compliance teams, alongside outsourced compliance monitoring provided by RSM LLP.

The SLOD is responsible for:

- ownership and oversight of the Bank's Risk Management Framework;
- ownership and oversight of the Bank's Risk Appetite Framework and Statement;
- development, management and, where appropriate, ownership of the Bank's risk and compliance policies and frameworks as they pertain to its risks, and for oversight of ongoing adherence to its provisions;

- provision of tools and techniques that enable risk and compliance to be managed in the first line (e.g. risk and control self-assessment);
- monitoring and oversight of the Bank's risks (see below);
- risk assessment and approval processes;
- oversight and challenge of the FLOD control environment, including risk monitoring;
- enterprise risk management;
- regulatory horizon scanning;
- emerging risk identification and awareness; and
- provision of risk Management Information to the Board and senior committees of the Bank.

Third Line of Defence ("TLOD")

The TLOD comprises the Bank's Internal Audit function. To ensure effective coverage of its activities and risk universe, the Bank has elected to fully outsource its internal audit requirements. The Bank's TLOD is currently outsourced to Deloitte LLP.

The TLOD is responsible for providing independent assurance on the effectiveness of the design and implementation of the Bank's control environment for the management of risk, considering exposures to its risks, its strategy and its risk appetite.

TLOD responsibilities are contained within an Internal Audit Charter, which is subject to the independent oversight of the Audit and Compliance Committee. In addition, Deloitte LLP produces an annual conclusions report to provide the Audit and Compliance Committee with an over-arching assessment of the Bank's risk and control framework, encompassing governance, the risk management framework, and anything else considered to be relevant. They also produce an audit strategy document that evidences their activities in line with the Bank's strategy and focus areas.

Principal risks

The Bank identifies six Level 1 risk categories:

Business and strategy risk: The Bank is exposed to business and strategy risks, such as a failure to meet its performance targets or capital adequacy requirements, and to headwinds from the macro-economic and business environment.

From a capital adequacy perspective, there are risks which could threaten the Bank, including credit risk losses from loans, operational risk losses from service interruptions, error or fraud, and mismanagement of the business resulting in inadequate margins, excessive costs or capital loss.

The Bank ensures that enough capital is held to remain solvent should it suffer losses arising from a range of

severe but plausible scenarios. It has prepared base case and sensitised forecasts, which consider capital requirements and liquidity, for a period of five years from the date of reporting of these financial statements. The Bank and its Directors anticipate that the Bank will require additional capital from investors to fulfil its potential and meet future business plans of increased growth and improved profitability. The Bank is actively progressing capital-raising initiatives as described in the Chief Executive Officer's report that, if successful, will increase its available regulatory capital and allow the Bank to grow its balance sheet.

Credit and concentration risk: Represents the risk of loss from a business customer or wholesale counterparty either defaulting on their debt or failing to make timely repayments on a loan. It also covers the risk to the Bank from having concentrations of lending to borrowers or groups of borrowers with similar risk characteristics, or heightened exposures in a geographic area, industry, or product type.

The Bank aims to maintain its lending profile within its stated credit risk appetite and credit risk framework. It will continue to carefully monitor the performance of its lending portfolio and will adjust it as required in response to changes in the lending market and in the economy. At all times, it will seek to ensure that it maintains an acceptable profile in terms of LTV and Debt Service Coverage Ratio ("DSCR") for new lending.

Liquidity and funding risk: The Bank is funded primarily with deposits from specialist markets, such as small and medium-sized businesses, clubs, associations and charities. Maintaining the confidence of those depositors is of paramount importance. The Bank has continued to observe a high retention rate on its fixed term bonds, which evidences the building of a trusted, long-term relationship with its existing deposit customers. To date, the Bank has built a deposit base consisting of maturity profiles that allow it early sight of depositor withdrawals, or adverse depositor behaviour, and therefore allows management to manage these in advance of any risks crystallising.

The Bank's LCR at 31 December 2025 was 362% (2024: 284%), above the regulatory requirement of 100%, and the deposit to loans ratio was 110% (2024: 111%).

Operational risk: In order to facilitate its business aims, the Bank faces a range of operational risks arising from its activities and processes. It ensures that it maintains appropriate frameworks, policies and methodologies to identify, assess, manage and monitor these. This includes maintaining resilience within its technology and operational processes to threats arising from cyber-attacks, malicious employee conduct, disruptions to its important business services, management of material third-party arrangements and appropriate physical security arrangements.

The Bank holds adequate levels of regulatory capital to absorb losses arising from a range of severe but plausible scenarios that may arise from operational risks crystallising, and it reassesses the level of capital required to offset potential operational risk losses as part of its internal capital adequacy assessment process ("ICAAP").

Compliance and regulatory risk: Reflects the risk arising to the Bank from it not meeting its regulatory and legal requirements, and also from creating poor customer outcomes or a negative perception of the Bank that could adversely affect its ability to deliver its strategic plan. The Bank maintains an open and transparent relationship with its regulators, alongside maintaining a robust horizon-scanning process that allows it to understand, adopt and comply legal and regulatory requirements as they arise.

Conduct risk: Represents the risk that the Bank's behaviours, culture, or approach lead to poor outcomes for customers, reputational damage, or that these may harm the broader market in which it operates. The Bank seeks to mitigate this risk by ensuring that appropriate focus is provided on the customer within all stages of the customer journey and operational processes, and that its staff are appropriately trained and skilled in the areas in which they operate.

Good customer outcomes are central to the Bank's culture, with products, processes and communications developed, assessed and tracked to ensure appropriate consideration is given to its customers. In addition, the Bank ensures that staff adhere to its corporate values through assessment of behaviours in its individual performance evaluation process.

Capital risk management

The Bank's objective in managing its capital is to maintain appropriate levels of capital to support its business strategy and financial goals, and meet regulatory requirements.

The Bank's total capital requirement ("TCR") is comprised of a minimum of 75% Tier 1 and a maximum of 25% Tier 2 regulatory capital (any Tier 2 in excess of 25% of TCR is considered ineligible for regulatory capital purposes). The Bank's TCR is set by the PRA and is 11.24% as at the end of 2025 (2024: 11.24%). The Bank's regulatory capital buffers are satisfied entirely by Common Equity Tier 1 ("CET1") capital. The total capital ratio at year end is 19.8% (2024: 18.3%) and the Bank's regulatory capital requirements for CET1 and total capital requirements were met throughout the year.

From 1 January 2027, the Bank will implement the simplified capital regime for the small domestic deposit takers ("SDDTs"). The Bank has taken into account the regulatory changes under the SDDT regime in planning for future capital requirements within its strategic planning.

The PRA and the Bank interact through the Capital Supervisory Review and Evaluation Process ("C-SREP") to determine the capital requirements that the Bank should hold for its risk profile. The regulator sets the total capital requirement for the Bank in excess of the minimum Pillar 1 resource requirement of 8%, taking into account the Bank's

own regulatory Pillar 2A assessment. A key input to the TCR setting process is the Bank's ICAAP.

The Bank manages its capital under the revised Capital Requirements Regulation and Directive, as implemented by the UK ("CRR II"). The Bank's capital position is monitored daily and reported quarterly to the PRA through the quarterly Common Reporting ("COREP") process. The PRA's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the available capital resources to the capital resources requirement.

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence, and to sustain the future growth and development of the business, as well as to insulate itself against periods of stress.

The Bank has elected to use the standardised approach for credit risk. Under CRR II, the Bank must set aside 8% of total risk weighted assets to cover its Pillar 1 capital requirements. The Bank must also set aside additional Pillar 2 capital to provide for additional risks. This is calculated by multiplying the total risk exposures by the agreed TCR ratio. The TCR ratio is based on the various risks which the Bank faces and is agreed by the PRA. The Bank's available capital base was in excess of the minimum required under the TCR throughout the year.

As at 31 December 2025, the Bank's capital base was made up of £58.5m of Tier 1 and Tier 2 capital (2024: £58.4m). The Bank had ineligible Tier 2 capital of £1.4m (2024: £1.1m). The Bank's regulatory capital consists of the following:

Own funds	2025	2024
	£	£
Ordinary share capital and share premium	47,922,516	47,922,516
Retained earnings	2,060,554	1,457,741
Deductions: intangible assets	(1,132,393)	(1,011,135)
Ineligible Tier 1 capital	(3,874)	(3,874)
Total Tier 1 capital	48,846,803	48,365,248
Collective loan loss provision	659,129	1,066,643
Subordinated debt	9,000,000	9,000,000
Total Tier 2 capital	9,659,129	10,066,643
Own funds	58,505,932	58,431,891

Capital reconciliation	2025	2024
	£	£
Equity as per statement of financial position	49,983,070	49,380,257
Regulatory adjustments:		
Intangible assets	(1,132,393)	(1,011,135)
Collective loan loss provision	659,129	1,066,643
Subordinated debt	9,000,000	9,000,000
Ineligible Tier 1 capital	(3,874)	(3,874)
Own funds	58,505,932	58,431,891

Risks and uncertainties

UK economic headwinds

The UK economy growth rate for 2025 was 1.3%.¹ In the recent projection from the Office of Budget Responsibility (“OBR”), the economy is forecast to grow at 1.1% in 2026 and 1.6% in 2027². As such, a low growth environment in the UK is expected to persist in the medium term.

The Bank of England Base Rate has decreased from 4.75% to 3.75% during the year. Market consensus had been that interest rates will continue to gradually fall over 2026, but the conflict in Iran has created uncertainty on the extent and timings of interest rate movements. While the Consumer Price Index (“CPI”) for the UK gradually fell to 3.6% in December 2025, it continued to be above the Bank of England’s 2% target throughout 2025.³

The Bank recognises the challenges posed by the broader geopolitical landscape, particularly the ongoing Russia–Ukraine conflict and more recently the conflict in Iran. These factors have a material impact on global economic conditions and have the potential to materially affect the UK economy.

The war in Iran, in particular, presents risks that could intensify pressures on energy markets and inflation. Prior to the recent escalation in the Middle East, expectations were that UK inflation would moderate through 2026 and 2027, returning to the Bank of England’s target range⁴. Current market consensus now points to renewed upward pressure on inflation and a corresponding increase in the likelihood of further interest rate rises. The extent to which the UK economy achieves or exceeds forecasts for Gross Domestic Product (“GDP”) and CPI – particularly against a backdrop of fiscal tightening – will be an important factor shaping future UK base rate movements over the next two years.

Rising oil prices, increased household energy costs and higher funding costs may adversely impact rental growth in the residential property sector. These factors also elevate the risk of second-order domestic inflationary pressures arising from wage dynamics and pricing behaviour⁵. The Bank remains vigilant in assessing developments and is closely monitoring any emerging impacts on customers from the situation in the Middle East.

The Bank continues to perform detailed analyses of potential credit losses and holds impairment provisions in line with IAS 39, based upon its loan book performance to date. Regular management information is provided to senior management and the Risk Committee on the credit performance of the Bank’s portfolio. As part of the Bank’s underwriting processes, a detailed assessment

is undertaken to assess a borrower’s ability to service the proposed debt, including use of stressed repayment conditions. The Bank has also transitioned a significant part of its book from variable rate to fixed rate lending since 2023, which provides greater certainty of repayments for customers in the event of interest rate changes.

Cyber risk

Cyber security risk has become and remains one of the industry’s largest concerns in recent years. The continuous volume of changes in cyber attacks, making use of ever more sophisticated methods, pose ongoing risks given the Bank’s reliance upon technology infrastructure and the performance of third-party technology, in common with most UK financial services firms. The Bank recognises the potential for cyber attacks to have a severe impact on its reputation, its staff and its customers, both in the short and longer term, from the potential inability to deliver services and secure data, to lost future income and other impacts arising from reputational damage.

The Bank maintains systems, training and controls designed to reduce the probability of a successful cyber threat, while retaining response capabilities that allow it to limit the impacts and restore services in a prompt manner in the event of a successful cyber security breach. The Bank continues to assess and test these capabilities internally and using external technology specialists, and its cyber-security processes, tools and governance arrangements are subject to ongoing assessment, enhancement and review.

Artificial intelligence (“AI”)

The breadth and extent of the use of artificial intelligence across financial services, and industry more generally, continues to increase at pace. While this presents an opportunity, the Bank also remains cognisant of the risks posed from uncontrolled use and misapplication of AI, and its potential to exacerbate data loss and enable fraudulent activity.

To address this, the Bank has introduced a specific AI acceptable use policy, while the Bank’s AI processes, tools and governance arrangements will be subject to continual enhancement and review to ensure they remain relevant to an area of fast-paced development across the sector.

The application of AI will be focused on improving the efficiency of internal processes, primarily where the synthesis of unstructured data is involved. The aim is to augment colleagues rather than to replace them, ensuring a human continues to be involved in the processes that AI are applied to.

Regulatory and legislative change

The Bank is cognisant of the ongoing and upcoming regulatory changes that small UK banks are required to interpret and, where relevant, implement. The implementation of the Small Domestic Deposit Takers (“SDDT”) capital regime on 1 January 2027 will have implications for the Bank and the industry collectively, in terms of future capital requirements. The Bank is preparing

1. GDP: Monthly estimates, Office for National Statistics

2. GDP: Monthly estimates, Office for National Statistics

3. Inflation and price indices, Office for National Statistics

4. CP 1439 – OBR – Economic and fiscal outlook – November 2025

5. March 2026 Monetary Policy Summary and Minutes

for the implementation of the new capital rules and awaits the output of the industry wide PRA data collection exercise in Q1 2026 to support confirmation of finalised capital requirements.

Further significant regulatory and legislative change will require managing in 2026 in the form of the FCA and PRA Senior Managers and Certification Regime ("SM&CR") reforms, alterations to bank remuneration rules which are to be applied in 2026, and the Renters Right Act which comes into force on 1 May 2026.

These, alongside all regulatory publications, are managed through the Bank's forward-looking process of regulatory horizon scanning for identifying and interpreting upcoming regulatory change at the earliest possible stage, allowing appropriate allocation of resource and, where relevant, identification of any skills gaps that need to be addressed. The Bank will continue to maintain this process and proportionately address relevant regulatory changes as they arise. It has also ensured, as part of its budgeting, forecasting and capital processes, that it understands the potential impacts of changes to prudential requirements to the extent possible, based on information available to the industry.

Operational resilience

The Bank is dedicated to achieving and maintaining operational resilience, a critical aspect of its commitment to safeguard its customers and ensure the continuity of its critical services. In accordance with the PRA and FCA operational resilience requirements in SS1/21 and SYSC 15A, the Bank identified its Important Business Services, set Impact Tolerances and obtained Board approval for its 2025 self-assessment. Ahead of the regulatory March 2025 deadline, the Board attested to the Bank's resilience, underscoring its adherence to regulatory requirements and its proactive stance on operational resilience.

Since that attestation, the Bank has shifted focus from meeting regulatory obligations to embedding resilience into everyday governance and risk management. This includes integrating resilience with business continuity, cyber security, and third-party risk frameworks; strengthening oversight of outsourced services and supply chains; executing a comprehensive Board-approved scenario testing programme to address severe but plausible risks. These include direct Board involvement in a severe cyber threat exercise following recent high-profile attacks; and continuously updating resource mapping and impact tolerances as services and technology evolve.

Supply chain resilience remains a priority. In line with SS2/21, the Bank has implemented robust controls for outsourced and material third-party providers, ensuring they meet the same high standards of resilience. Regular reviews confirm their ability to support resilience objectives.

Redwood's Board and senior management remain

actively engaged in operational resilience, driving continuous improvement, applying lessons learned, and maintaining audit-ready evidence. This proactive, outcome-focused approach not only meets regulatory requirements but strengthens the Bank's stability, enhances customer trust, and ensures service reliability. Looking ahead to 2026 and beyond, the Bank will continue to evolve its resilience framework and embed a 'resilient by design' philosophy into change processes, ensuring ongoing protection for customers and the Bank itself.

Consumer Duty

In response to the Consumer Duty, the Bank has embedded its requirements across the savings business and has assigned an independent Non-Executive Director as Consumer Duty Champion. The product development and governance procedures ensure that all products are assessed against customer outcomes, as part of the design, development and approval process. The Bank's customer feedback framework ensures that customer feedback is collected consistently and is carefully considered, ensuring that the Executive Committee and Board have clear visibility of customer views.

The Bank enhanced its vulnerable customer framework during the year, ensuring clearer identification and support of customers with additional needs, as well as improved transparency across products and channels. This included strengthening management information and reporting to improve oversight of vulnerable customer outcomes, and delivering additional training to front line teams to support informed, consistent and empathetic decision-making. Alongside this, the Bank introduced improvements to its website to enhance signposting and guidance for customers who may require extra support, ensuring they can more easily access the help and information they need.



Remuneration

Background

The Bank offers competitive remuneration that is determined by business needs and market rates and levels, and aims to attract and retain a diverse workforce with the ability, experience and skills to deliver on its strategy in an inclusive and equal work environment. All remuneration (variable and fixed) is based on the foundation of equal pay for equal work or work of equal value, across all genders, ethnicities and backgrounds. The Bank also provides a comprehensive suite of benefits accessible to all employees, complementing and enhancing its overall employee offering.

The overarching principles of the Bank's Remuneration Policy are to:

- provide a remuneration framework that considers conduct and promotes good outcomes for customers;
- promote the long-term success of the Bank;
- attract, motivate and retain high-performing employees;
- adhere and respond to the regulatory framework for the financial services sector;
- be consistent with the Bank's risk policies and systems to guard against inappropriate risk-taking; and
- ensure alignment with the business strategy, objectives, values and long-term interests of the Bank.

Governance and risk management

The Bank's Remuneration Committee ensures that its Remuneration Policy is consistent with and promotes sound and effective risk management. The Policy does not encourage risk-taking that exceeds the level of tolerated risk of the Bank as expressed in its Risk Appetite Statement, is updated periodically, and is approved by the Board.

In setting its Remuneration Policy, the Bank has given consideration to the principles and provisions relating to remuneration in the FCA's Remuneration Code and the Remuneration Part of the PRA Rulebook.

Remuneration components

Remuneration consists of two elements, fixed remuneration and variable remuneration.

1) Fixed remuneration

The Bank aims to provide all employees with fair and competitive remuneration to facilitate long-term commitment of employees at all levels to grow and sustain the Bank's business. Base salaries are set according to market-related salary ranges that reflect the size, skill, level, or responsibilities attached to each role. The Remuneration Committee is provided with appropriate information to enable it to assess the appropriateness of the Bank's fixed remuneration.

2) Variable remuneration

The required behaviours set by the Bank, combined with individual and corporate performance against objectives, inform the variable components of the Bank's remuneration package. The variable pay structure includes annual cash settled bonuses, and additionally, for key senior management, includes a LTIP. The assessment of the performance includes non-financial factors including ESG elements such as gender parity and diversity, customer satisfaction and complaints, and an environmental accreditation scheme.

Further information on remuneration is detailed in Notes 2.14, 9 and 10 to the accounts.

Sustainability

Environmental, social and governance

During 2025, the Bank continued to manage environmental, social and governance (ESG) matters with consideration to leading global standards, structured around the pillars of governance, strategy, risk management, and metrics and targets.

In parallel, the Bank has made significant progress by undertaking a comprehensive sustainability gap analysis, with actions tracked against leading global standards. This work has materially strengthened the Bank's foundations for future anticipated sustainability reporting expectations, and has been integrated into the Bank's ESG Strategic Horizon Action Plan. As a result, the Bank is well positioned to further enhance the quality, consistency and transparency of its sustainability disclosures in future reporting periods.

Governance

The Bank has maintained strong and proportionate governance arrangements for ESG and climate-related matters throughout 2025, underpinned by clear accountability, defined responsibilities and active Board oversight. The Board received regular updates on ESG and climate-related progress and endorsed key elements of the Bank's ESG ambition and delivery roadmap.

The ESG Working Group was further enhanced, strengthening governance and coordination across the organisation. This forum, with representation from senior management and key control functions, continued to identify, assess and document sustainability, ESG and climate-related risks and opportunities, ensuring appropriate escalation and integration into business and risk decisions.

ESG and climate considerations remained embedded within Executive Committee discussions, supporting informed and consistent decision-making. During the year, targeted climate-risk training was delivered to the Board, further enhancing its capability to oversee climate-related and wider ESG risks. The Bank also continued to engage with industry peers, advisors and regulators to remain aligned with evolving best practice and regulatory expectations.

Strategy

ESG considerations remained embedded within the Bank's strategic planning and business activities during 2025. Delivery was guided by the Board-endorsed ESG Strategic Horizon Action Plan, first approved in 2024 and refreshed through its annual review. This plan provides a structured pathway aligned to the Bank's scale and business model. The Bank continued to progress its ambition against this pathway, recognising the interconnected nature of environmental, social and governance challenges and their relevance to long-term value creation.

The Bank also continued to advance its external ESG profile through thought leadership activity, community partnerships and continued success with the Green Reward proposition. Work also progressed toward formalising the Bank's emissions reduction ambitions, with the UN Race to Zero identified as the proposed overarching framework.

Proposition innovation continued to resonate with customers, with the Bank's Green Reward feature winning Best Innovation in the Mortgage Space at the Mortgage Awards 2025. The feature offers up to 0.5% cashback based on a property's EPC rating; by the end of 2025, approximately one third of new loans qualified, with over £175k having been paid to customers since its launch. This supported portfolio reinvestment and helped A-C EPC-rated properties increase from 37% in January 2024 to 44% by the end of 2025, improving collateral quality and resilience through improved energy performance.

Risk Management

The Bank continued to apply a robust and proportionate approach to the identification, assessment and management of climate-related and broader sustainability risks during 2025. Climate-related risks and opportunities were further embedded within the Risk Management Framework ("RMF"), ensuring they are considered alongside other principal risks, including credit, market and operational risk.

Detailed analysis of climate-related risks, impacts and opportunities was completed, supported by granular data at a security and property level, including flood risk and EPC ratings. Climate change scenario analysis was completed and incorporated into the Bank's ICAAP, strengthening the assessment of physical and transition risks and supporting informed capital and risk management decisions.

The Bank also progressed its assessment of wider sustainability risks, including social and governance considerations. Where appropriate, actions have been carried forward into 2026 and beyond to reflect the Bank's evolving business model and strategic direction, ensuring alignment with its medium and long-term planning horizons.

Metrics and Targets

During 2025, the Bank continued to enhance the quality and robustness of ESG-related data, metrics and controls, recognising their importance for effective oversight and future disclosure. Key areas of progress included:

- Data quality and controls: Validation of ESG data capture, storage and transparency processes, supported by external sustainability consultants, with recommendations for further improvement identified.
- Greenhouse gas emissions: Review and validation of baseline greenhouse gas emissions (Scopes 1, 2 and relevant Scope 3 categories) against the Greenhouse Gas Protocol, forming the foundation for future target setting.
- Climate targets: Development of initial climate-related targets, including a proposed emissions reduction pathway, to be presented for Board consideration in 2026.
- Green finance: Continued delivery and monitoring of the Green Reward proposition.
- Community and social impact: Ongoing participation in community and charitable initiatives, including partnerships focused on financial education, with impact monitored through metrics such as the number of volunteer hours contributed by employees, the level of charitable donations made and the positive social and environmental outcomes of its community engagement initiatives.

Further work will be undertaken in 2026 to consolidate metrics, refine methodologies and formalise targets, supporting enhanced transparency.

Looking ahead

Looking forward, the Bank will continue to aim to transition to net zero building on the strong foundations established during 2025. Priorities for 2026 include finalising and endorsing the Bank's position on emissions reduction and associated targets, further strengthening climate risk and resilience assessment and enhancing its approach to anticipated future sustainability reporting requirements.

The Bank remains committed to embedding ESG considerations across its governance, strategy and risk management processes, while continuing to support customers, colleagues and the communities in which it operates, in a manner proportionate to its size, complexity and business model.

Colleagues

The Bank has a positive culture where customers come first, as reflected in high satisfaction and likelihood to recommend scores. This is supported by a strong leadership team and Board, with significant experience of growing challenger banks. The Bank has continued to operate successfully under a hybrid staff working model, regardless of seniority or role, during the year. It has actively monitored staff engagement and has promoted well-being by raising mental health awareness and offering health assessments to all employees.

In May 2025, we partnered with People Insight, an external platform provider, to carry out a comprehensive Diversity & Inclusion survey. The findings were very positive, with the Bank achieving an impressive D&I Index score¹ of 81%. This result highlights a strong culture of inclusion, belonging, and fairness across the organisation. Key dimensions such as Inclusion, Belonging, and Equity scored particularly well, reflecting the strength of peer relationships, fairness in management practices, and a workplace environment that encourages authenticity and respect.

These outcomes confirm that the Bank has built a robust foundation for inclusion and reinforce our ongoing commitment to creating a workplace where every colleague feels valued, respected, and empowered to thrive.

The Board has also assigned an independent Non-Executive Director representative to engage with the workforce to further ensure their voices are heard by the Board.

The Bank recognises the benefits that inclusivity can bring to the business and colleagues. The Bank continued to make strides in expanding its employees' awareness of inclusion efforts and their role in it. In 2024, it established a women's networking forum and been a corporate member of Women in Banking and Finance ("WIBF"), which provides a variety of benefits to its members such as development programmes and networking events. The Bank also renewed its mentoring programme for all staff, regardless of age and seniority, which includes training for mentors and mentees. In addition, the Bank appointed two menopause champions who are trained on menopause signs and symptoms to guide colleagues.

The Bank now operates a Colleague Forum that unites the strengths of our previous DE&I Network and Culture Club into a single, more focused and cohesive platform. This initiative is designed to create a stronger framework for colleague engagement, amplify our collective impact, and foster an inclusive, positive, and engaging workplace for everyone. The Colleague Forum serves as a central hub for collaboration, dialogue, and action, ensuring that diverse perspectives are heard and valued with feedback

¹ The definition is given in the CEO's Report.

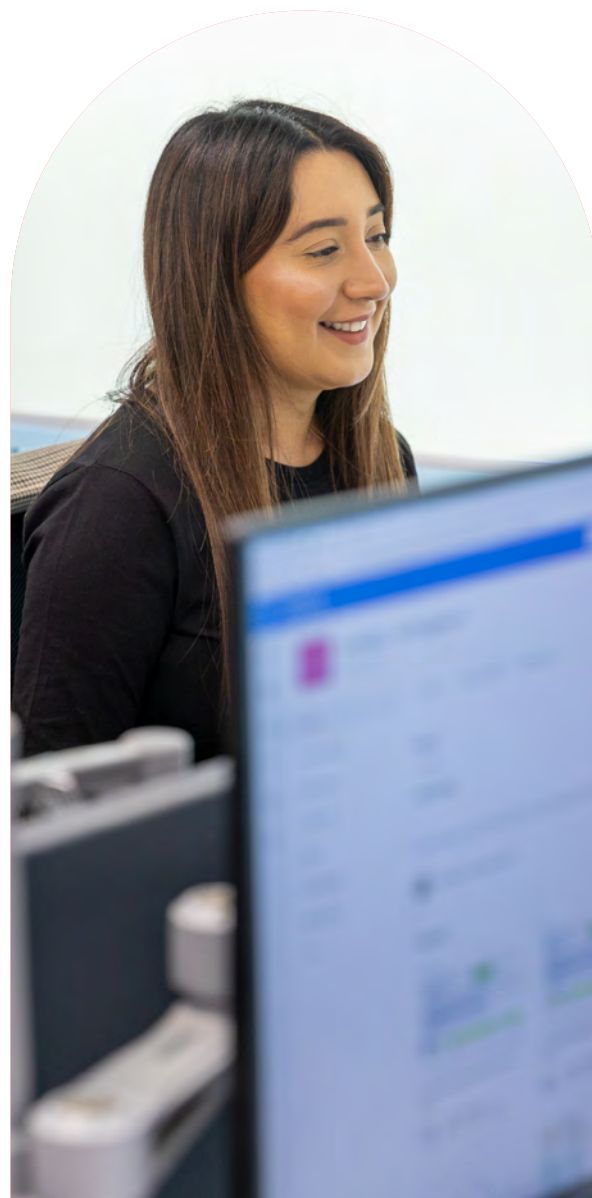
being provided to the Executive Committee and the Board on a regular basis. It complements and reinforces the active initiatives and policies already in place, while driving forward new ideas that support our commitment to equality, respect, and belonging. By bringing these elements together, the Bank is building a stronger, more unified approach to engagement, one that reflects its values and ensures every colleague feels empowered and included.

The Bank continues to promote diversity within the senior leadership population and takes a holistic approach to addressing diversity, inclusion and welfare throughout the organisation.

This report was approved by the Board on 15 April 2026 and signed on its behalf.



Gary Wilkinson
Chief Executive Officer



Directors' report

for the year ended
31 December 2025



Directors' report

for the year ended 31 December 2025

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

Results and dividends

The profit for the year, before taxation, amounted to £779,514 (2024: £2,697,814).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2025 (2024: £nil).

Directors

The Directors who served during the year were:

Mark Winlow [Chairman]

Gary Wilkinson [Chief Executive Officer]

Sergio Cruz [Chief Financial Officer] – appointed on 21 July 2025

Ashraf Piranie [Chief Financial Officer] – resigned on 31 March 2025

Rajesh Khosla [Chief Risk Officer]

Tina Kokkinos [Non-Executive Director]

John Lowe [Non-Executive Director]

Jerry Loy [Non-Executive Director]

Maria Elizabeth Walker [Non-Executive Director]

Political and charitable contributions

The Bank made no political donations during the year.

The Bank made charitable donations totalling £24k (2024: £34k) in the year.

Principal risks

Information regarding principal risks and emerging risks is contained within the Strategic Report on pages 24 to 28 and Note 12.

Future developments and prospects

The Bank has remained profitable, despite the significant headwinds faced over the past few years and will continue to build on the strong foundations that have been put in place.

It is committed to delivering simple and transparent financial products in a timely fashion to businesses, and any new products launched will be designed to meet the financial needs of customers.

Through continued investment in its people and infrastructure, the Bank will continue to deliver excellent levels of customer service for businesses and their owners, as it enters the next phase of its growth, which would be supported by the successful completion of the Bank's capital-raising initiative.

Directors' indemnities

The Board of Directors has in place a directors' and officers' liability insurance policy to indemnify the Directors and officers of the Company against loss arising from any claim made against them jointly or severally for any failure of duty of care in their capacity as Director or Officer of the Company.

Going concern

The financial statements are prepared on a going concern basis, as the Directors believe that the Bank has sufficient resources to continue its activities for a period of at least 12 months from the date of approval of the financial statements (the going concern period).

For the year ended 31 December 2025, the Bank recognised a profit before tax of £0.8m. The Bank's total assets as at 31 December 2025 were £610m. The Bank has £110m of liquidity resources. The liquidity resources comprise cash and cash equivalents, and other highly liquid assets.

The Directors have prepared base case and sensitised forecasts, which consider both capital requirements and liquidity, for a period of at least 12 months from the date of approval of these financial statements. The base case and sensitised forecasts do not assume any further capital injections from shareholders. In preparing those forecasts, the Directors have considered the current economic uncertainty, high interest rates and the inflationary environment.

The Directors have considered severe but plausible downside scenarios, including stress tests aligned to the Bank's Recovery Plan and the effects of management actions taken as a result. These stress scenarios are aligned to the Bank of England's prescribed stress tests. The Board has concluded that both capital and liquidity forecasts, after management actions, met minimum regulatory requirements over the going concern period.

As noted in the Strategic Report, an indicative non-binding offer for the purchase of the entire shares held by the existing shareholders of the Bank has been received. While there is no guarantee that a sale will complete within 12 months of the date of approval of these financial statements, the Directors have considered the impact of such a sale on the going concern status of the Bank should the sale complete within that time frame. Having considered that scenario, the Directors have concluded that a sale would not impact the going concern status of the Bank and that no material uncertainty results from the proposed sale with regards to the going concern status.

Therefore, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

Disclosure of information to the auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Directors are aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the Directors have taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Post year-end events

There have been no significant or reportable events following the year end.

Auditor

The Audit and Compliance Committee considered the Financial Reporting Council Audit Quality Inspection and Supervision Report 2025 of BDO LLP and the auditor's audit plan to be satisfactory to improve audit quality as a result of the findings of the report.

The auditors, BDO LLP, have been appointed as the Bank's new auditor. The auditors have indicated their willingness to continue in office and will be considered for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 15 April 2026 and signed on its behalf.



Gary Wilkinson

Chief Executive Officer

Suite 101
The Nexus Building Broadway
Letchworth Garden City
England
SG6 3TA

Directors' responsibilities statement

for the year ended
31 December 2025

Directors' responsibilities statement

for the year ended 31 December 2025

The Directors are responsible for preparing the strategic report, the Directors' report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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



Independent auditor's report

for the year ended
31 December 2025



Independent auditor's report

to the members of Redwood Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2025 and of the Company's profit and the Company's cash flows for the year then ended;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Redwood Bank Limited (the 'Company') for the year ended 31 December 2025, which comprise the Statement of Profit and Loss and Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating cash flow forecasts, challenging the assumptions and predicted outcomes within the forecasts, including assessing their reasonableness against historic performance and our understanding of the business. We also assessed the Directors' ability to forecast accurately, comparing historic forecasts to actual results.
- Evaluating the availability of the Company's capital, liquidity and funding sources during base case and stressed scenarios.
- Reviewing the latest Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process prepared by the Company.

- Reviewing the Bank’s regulatory correspondence and having discussions with the Prudential Regulation Authority (PRA), the Company’s regulator, to understand their views of the Company and to ascertain whether there were any other matters that may impact the Company’s ability to continue as a going concern.
- Reviewing the adequacy of the disclosures within the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company’s ability to continue as a going concern.

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

Overview

- Key audit matters**
1. Loan loss provision (Estimation of the forced sale discount)
 2. Behavioural life assumptions for mortgages within the effective interest rate (EIR) calculation

Materiality £499,000 based on 1% of net assets.

How climate change affected the scope of our audit

Our work on the assessment of potential impacts of climate-related risks on the Company’s operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts

on the financial statements and adequately disclose climate-related risks within the annual report; and

- Review of the minutes of Board and Audit and Compliance Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Company’s commitment on climate-related metrics and targets as set out in the Strategic report may affect the financial statements and our audit.

We challenged the extent to which climate related risks, including the expected cash flows from the initiatives and commitments, have been reflected, where appropriate, in the Directors’ going concern assessment.

The management disclosures on pages 29 to 30 form part of the strategic report. Our responsibilities in relation to these disclosures are described in the relevant section of this report and our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained from the audit or otherwise appear to be materially misstated.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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 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.

Key Audit Matter	How the scope of our audit responded to the risk	
<p>Loan loss provision (Estimation of the forced sale discount)</p> <p>The Company's accounting policy in respect of the loan loss provision is disclosed in Note 2.7 and other relevant disclosures are made in Note 3.</p> <p>The loan loss provision of £4.9m is disclosed in Notes 16 and 17 to the financial statements.</p>	<p>The estimation of the loan loss provision involves the use of significant judgement and estimates, including a key assumption made in respect of the forced sale discount applied to collateral valuations for the individually impaired commercial portfolio.</p>	<p>We performed end-to-end process walkthroughs to identify the key systems and controls used in the loan loss calculation. Our testing procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation and tested the operating effectiveness of the relevant controls over the governance and approval of key assumptions, including the forced sale discount. • With the involvement of our Quantitative Solutions experts, we assessed the appropriateness of the Loss Given Default ("LGD") methodology, including the forced sale discount used within the loan loss provision, for compliance with the requirements of IAS 39. • We evaluated the appropriateness of the source of information used by management in estimating the forced sale discount and the loan loss provisioning and tested the completeness and accuracy of the relevant data inputs by agreeing a sample of key data points to source documentation. • We assessed the appropriateness of the forced sale discount by benchmarking these to other peer entities, as well as to the Company's historic information. We also performed sensitivity analysis under different scenarios to assess the impact these had on the loan loss provision. • For a sample of mortgages, we assessed whether there were impairment indicators in line with IAS 39 by reviewing the Company's credit files and external information such as borrower financial statements and online industry searches. For this sample, we recalculated the loan loss provision and compared it to that of management to challenge the completeness and accuracy of the individually impaired provisions made by the Company. • With the involvement of our valuation experts, we assessed the reasonableness of a sample of collateral valuations by evaluating the third-party valuation reports and the indexation methodology applied. • We reperformed the loan loss calculation and compared it to the results of management to check the arithmetic accuracy and logic of the loan loss calculation. • We evaluated the appropriateness of the disclosures in respect of significant judgments and estimation uncertainty in line with the disclosure requirements of the accounting standards. <p>Key observations:</p> <p>Based on the procedures performed, we consider the judgements and estimates made by management in estimating the loan loss provision to be reasonable.</p>

Key Audit Matter	How the scope of our audit responded to the risk	
<p>Behavioural life assumptions for mortgages within the effective interest rate (EIR) calculation.</p> <p>The Company's accounting policies in respect of the calculation of interest income using the EIR method are disclosed in note 3.</p> <p>Note 4 discloses interest income calculated on an EIR basis of £45m</p>	<p>The EIR method discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. The calculation includes all fees paid or received that are an integral part of the effective interest rate and transaction costs.</p> <p>Significant management judgement is required to determine the behavioural life of the mortgages, due to the uncertainty around future redemption behaviour.</p> <p>The recognition of interest income is based on the effective interest rate which is determined using the estimated behavioural life.</p> <p>We, therefore, considered the behavioural life assumptions for mortgages to be a significant risk and a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation and tested the operating effectiveness of controls over review and approval of key judgements in the EIR models with specific reference to the mortgage behavioural life assumptions. • We reviewed the appropriateness of the accounting policy in respect of the calculation of interest income using the EIR method in accordance with FRS 102. • We assessed and challenged management's expected behavioural life assumptions against recent historical experience of loan lives. • We checked that management's model accurately calculated the EIR using the determined behavioural lives. We also reviewed the formulae and functionality of management's model and recalculated a sample of EIR adjustments and compared our output to that of the EIR model. • We benchmarked the behavioural life assumptions used in the EIR calculation to equivalent assumptions made by peer entities in the industry and performed sensitivity analysis to reflect uncertainties in behavioural lives attributable to expected changes in interest rates. • We evaluated the appropriateness of the disclosures in respect of significant judgments and estimation uncertainty in line with the disclosure requirements of the accounting standards. <p>Key observations:</p> <p>Based on the procedures performed, we consider the behavioural life assumptions for mortgages included within the calculation of interest income to be reasonable.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	2025 (£)
Materiality	499,000
Basis for determining materiality	1% of Net Assets
Rationale for the benchmark applied	We have used net assets as our benchmark as the net assets of the business remains the key focus of users of the financial statements and most closely aligns to the key stakeholder focus of capital.
Performance materiality	311,000
Basis for determining performance materiality	62.5% of materiality
Rationale for the percentage applied for performance materiality	We determined performance materiality based on our risk assessment and our understanding of the overall control environment.

Reporting threshold

We agreed with the Audit and Compliance Committee that we would report to them all individual audit differences in excess of £24,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the 'Annual Report and Accounts' other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p>Strategic report and Directors' report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
<p>Matters on which we are required to report by exception</p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> 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 the Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given on page 82 for the financial year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management, those charged with governance and the Audit and Compliance Committee; and
- Obtaining an understanding of the Company’s policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the Companies Act 2006, United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Prudential Regulatory Authority and Financial Conduct Authority regulations, anti-money laundering regulations and General Data Protection Regulation.

Our procedures in respect of the above included:

- Enquires of management whether there were any litigations and claims;
- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Meeting with the PRA;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, those charged with governance and the Audit and Compliance Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company’s policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team, including forensic specialists, as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, the forced sale assumption, for the commercial portfolio, set out in the loan loss provision and the significant assumptions set out in the determination of behavioural life within the EIR calculation.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met defined risk criteria, by agreeing to supporting documentation;
- Testing a sample of journal entries that did not meet the defined risk criteria;
- Assessing significant estimates made by management for bias within the judgments made within the loan loss provision and the effective interest rate behavioural life estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Board of Directors on 18 June 2025 to audit the financial statements for the period ended 31 December 2025.

Our total uninterrupted period of engagement is one year, covering the period ended 31 December 2025.

Our audit opinion is consistent with the additional report to the Audit and Compliance Committee.

Use of our report

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

DocuSigned by:

Ariel Grosberg

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Ariel Grosberg (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK

15 April 2026

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

for the year ended
31 December 2025



Statement of profit and loss and comprehensive income

for the year ended 31 December 2025

	Note	2025 £	2024 £
Interest receivable	4	45,241,843	49,521,006
Interest payable	5	(22,521,076)	(23,269,459)
Net interest income		22,720,767	26,251,547
Fair value gains/(losses) on financial instruments	6	80,899	(8,932)
Total income		22,801,666	26,242,615
Administrative expenses	7	(21,265,984)	(21,675,255)
Operating profit before impairment charge		1,535,682	4,567,360
Impairment charge on loans and advances to customers	17	(756,168)	(1,869,546)
Profit before tax		779,514	2,697,814
Tax charge	11	(176,701)	(869,726)
Profit for the year		602,813	1,828,088
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income		602,813	1,828,088

There were no recognised gains and losses for 2025 or 2024, other than those included in the statement of profit and loss and comprehensive income. The results for the current and preceding years relate entirely to continuing operations.

The accompanying notes form part of these financial statements.

Statement of financial position

as at 31 December 2025

	Note	2025 £	2024 (Restated) ¹ £
Assets			
Cash and balances at central banks	13, 37	85,516,188	109,225,704
Gilts	14	20,013,691	25,011,813
Loans and advances to banks	13, 37	8,841,755	6,372,789
Loans and advances to customers	16	490,444,848	492,244,170
Fair value adjustments on hedged assets	19	1,302,543	(407,884)
Derivative assets	18	-	435,343
Intangible fixed assets	20	1,132,393	1,011,135
Tangible fixed assets	21	104,511	151,269
Other assets	22, 37	1,483,513	92,857
Prepayments and accrued income	22, 37	1,088,724	1,138,371
Deferred tax assets	11	115,182	307,517
Total assets		610,043,348	635,583,084
Liabilities			
Amounts due to banks	23	-	18,726,182
Customer deposits	24	546,762,522	552,995,571
Derivative liabilities	18	1,224,574	-
Other liabilities	25, 37	603,027	1,925,790
Accruals and deferred income	25, 37	2,470,155	3,251,346
Tax liabilities	11	-	303,938
Subordinated debt	26	9,000,000	9,000,000
Total liabilities		560,060,278	586,202,827
Issued capital and reserves:			
Called up share capital	27	111	111
Share premium reserve	28	47,922,405	47,922,405
Retained earnings	28	2,060,554	1,457,741
Total equity		49,983,070	49,380,257
Total equity and liabilities		610,043,348	635,583,084

The accompanying notes form part of these financial statements. The financial statements including the notes on pages 47 to 85 were approved and authorised for issue by the Board of Directors on 15 April 2026 and were signed on its behalf by:



Sergio Cruz

Chief Financial Officer

Company registered number: 09872265

1. Further details are provided in Note 37

Statement of changes in equity

for the year ended 31 December 2025

	Share Capital £	Share Premium £	Retained earnings £	Total equity £
At 1 January 2024	111	47,922,405	(370,347)	47,552,169
Profit for the year	-	-	1,828,088	1,828,088
Total comprehensive income for the year	-	-	1,828,088	1,828,088
At 31 December 2024	111	47,922,405	1,457,741	49,380,257
At 1 January 2025	111	47,922,405	1,457,741	49,380,257
Profit for the year	-	-	602,813	602,813
Total comprehensive income for the year	-	-	602,813	602,813
At 31 December 2025	111	47,922,405	2,060,554	49,983,070

The accompanying notes form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2025

	Note	2025 £	2024 (Restated) £
Cash flows from operating activities			
Profit for the year		602,813	1,828,088
Adjustments for			
Amortisation of intangibles	20	359,914	336,289
Depreciation of tangible assets	21	91,501	92,566
Impairment charge on loans and advances to customers	17	756,168	1,869,546
Net increase in loans to banks		(1,870,000)	(2,255,000)
Net decrease/(increase) in loans to customers		1,043,154	(80,130,410)
(Decrease)/increase in customer deposits		(6,233,049)	53,028,098
Increase in other assets		(1,390,656)	(918)
Decrease/(increase) in payments and accrued income		49,647	(193,114)
Net increase in derivatives and hedged items		(50,510)	(27,459)
Redemption of TFSME		(18,500,000)	(19,100,000)
Decrease in interest in payable on TFSME		(226,182)	(241,806)
(Decrease)/increase in other liabilities		(1,322,763)	932,717
Increase in accruals and deferred income		(781,191)	(603,948)
Finance cost for subordinated debt		585,000	586,603
Income tax		(111,603)	106,161
Cash utilised in operating activities		(26,997,757)	(43,772,587)
Interest paid for subordinated debt		(585,000)	(586,603)
Net cash used in operating activities		(27,582,757)	(44,359,190)
Cash flows from investing activities			
Purchases of tangible fixed assets	21	(44,743)	(69,653)
Purchases of intangible assets	20	(481,172)	(563,604)
Acquisition of gilts		-	(5,053,587)
Maturity of gilts		4,998,122	53,536,391
Net cash generated from investing activities		4,472,207	47,849,547
Net cash (decrease)/increase in cash and cash equivalents		(23,110,550)	3,490,357
Cash and cash equivalents at the beginning of year		113,293,493	109,803,136
Cash and cash equivalents at the end of the year		90,182,943	113,293,493
Cash and cash equivalents comprise:			
Cash and balances at central banks		85,516,188	109,225,704
Loans and advances to banks		4,666,755	4,067,789
		90,182,943	113,293,493

Interest received was £41.2m (2024: £45.1m) and interest paid was £16.6m (2024: £17.0m).
The accompanying notes form part of these financial statements.

Notes to the financial statements

for the year ended
31 December 2025



Notes to the financial statements

1. General information

The Bank is a private company limited by shares and incorporated in the UK. The Bank's registered office is at Suite 101 The Nexus Building, Broadway, Letchworth Garden City, Hertfordshire SG6 3TA. The Bank's principal activity is in providing lending and deposit products to small and medium-sized enterprises.

2. Accounting policies

2.1 Basis of preparation of financial statements

These annual accounts have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 102 applicable in the UK and Republic of Ireland ("FRS 102") in conjunction with IAS 39 'Financial Instruments: Recognition and Measurement' (via the option in FRS 102 para 11.2 (b)).

The presentation currency of these financial statements is pound sterling. All amounts in the annual accounts have been rounded to the nearest £.

The financial statements have been prepared under the historical cost basis unless otherwise specified in the accounting policies.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

2.2 New or amended accounting standards

There were no new or amended accounting standards and interpretations adopted in 2025.

The FRC issued amendments to FRS 102 that include a new model of revenue recognition based on International Financial Reporting Standards ("IFRS") 15, a new model of lease accounting based on IFRS 16 and other incremental improvements. Key changes introduced by the amendments are expected to have impact on the Bank's financial statements:

- Revised revenue accounting requirements in FRS 102, based on the IFRS 15 five-step model for revenue recognition, with appropriate simplifications; and

- Revised lease accounting requirements in FRS 102 based on the IFRS 16 'on-balance sheet' model, again with appropriate simplifications.

The above amendments are not yet mandatory, with early adoption permitted. The amendments have not been early adopted and will be applied from the effective date, which is 1 January 2026.

2.3 Going concern

The financial statements are prepared on a going concern basis, as the Directors believe that the Bank has sufficient resources to continue its activities for a period of at least 12 months from the date of approval of these financial statements (the going concern period).

For the year ended 31 December 2025, the Bank recognised a profit before tax of £0.8m. The Bank's total assets as at 31 December 2025 were £610m. The Bank has £110m of liquidity resources. The liquidity resources comprise cash and cash equivalents, and other highly liquid assets.

Management have prepared and the Board has reviewed base case and sensitised forecasts, which consider capital requirements and liquidity, for a period of at least 12 months from the date of approval of these financial statements. The base case and sensitised forecasts do not assume any further capital injections from shareholders.

The Directors have considered severe but plausible downside scenarios, including stress tests aligned to the Bank's ICAAP and ILAAP, and the effects of management actions taken as a result. These stress scenarios are aligned to the Bank of England's prescribed stress tests. The Board concluded that capital and liquidity forecasts remained within present regulatory requirements, including use of capital buffers, assessed before and after management actions, over the going concern period.

As noted in the Strategic Report, an indicative non-binding offer for the purchase of the entire shares held by the existing shareholders of the Bank has been received. While there is no guarantee that a sale will complete within 12 months of the date of approval of these financial statements, the Directors have considered the impact of such a sale on the going concern status of the Bank should the sale complete within that time frame. Having considered that scenario, the Directors have concluded that a sale would not impact the going concern status of the Bank and that no material uncertainty results from the proposed sale with regards to the going concern status.

Therefore, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

2.4 Interest income and interest expense

Interest income and expense are recognised in the statement of profit and loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

In calculating interest under the effective interest method, the Bank applies its established accounting policy in relation to financial instruments that revert from a fixed to a variable rate of interest, whereby the Effective Interest Rate ("EIR") is based on the fixed rate for the fixed rate period and does not take account of any reversionary interest post the end of the fixed rate period. The Bank monitors actual and expected customer repayment behaviour and periodically adjusts the recognition profile to reflect significant changes.

The calculation of the effective interest rate includes those transaction costs and fees paid or received which are deemed to be an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- net income on derivative financial instruments.

2.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Bank; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost. After recognition, under the historical cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Cloud-based computing costs are expensed.

Amortisation is provided to write down the intangible assets on a straight-line basis over their expected useful economic lives. It is provided at the following range:

- Computer software 3-5 years
- Website development 3-5 years

2.6 Tangible fixed assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank.

Depreciation is provided on all other items of property, plant and equipment to write off their carrying value over their expected useful economic lives. It is provided at the following range:

- Office equipment 3-5 years
- Computer equipment 3 years
- Office fittings 6 years

2.7 Financial instruments

Recognition

The Bank initially recognises loans and advances, deposits, debt securities, subordinated debt and derivative instruments on the date on which they are originated. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

The Bank classifies its financial assets into one of the following categories:

Gilts

Gilts intended to be held on a continuing basis, other than those designated at fair value, are classified as held to maturity, and recognised in the statement of profit and loss using the effective interest method. They are recognised on the trade date the Bank enters contractual arrangements to purchase those instruments and are de-recognised when either the securities are sold or when the Bank no longer has contractual right to the cash flows associated with the gilt.

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank positively intends, and is able, to hold to maturity. Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost, less any impairment losses. Interest is recognised at the effective interest rate to the maturity of the asset in the statement of profit and loss.

Loans and advances to banks

'Loans and advances to banks' are deposits held at call with financial institutions, and cash collaterals held on derivative financial instruments. Cash and balances due from banks are initially recognised at fair value and subsequently at amortised cost.

Loans and advances to customers

'Loans and advances to customers' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method (see Note 3). Initial measurement at fair value is usually equivalent to the transaction price less upfront fees.

Where exposures are hedged by derivatives, designated and qualifying as fair value hedges, the fair value adjustment for the hedged risk to the carrying value of the hedged loans and advances is reported in fair value adjustments for hedged assets (Note 19).

Undrawn commitments

Undrawn commitments relating to loans that have been approved and not been drawn, terms of which can be withdrawn at the discretion of the Bank, are considered to be outside the scope of IAS 39.

Financial liabilities

'Bank loans' comprise funding from the TFSME and are initially measured at transaction price plus attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

'Customer deposits' are initially measured at transaction value and are subsequently measured at amortised cost, including accrued interest, using the effective interest method.

'Subordinated debt' is initially measured at transaction price plus attributable transaction costs, and is subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

The Bank uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk. The Bank does not hold or issue derivative financial instruments for proprietary trading.

Measurement

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative

amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties, in an arm's length transaction.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised through the statement of profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances at both an individual asset and a collective level. All loans and advances are assessed for individual impairment. If there is evidence of impairment, then an impairment loss is immediately recognised in the profit and loss account. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

The Bank also assesses its "held-to-maturity assets" annually for objective evidence of impairment. The Bank's "held-to-maturity assets" are comprised of UK gilts. Objective evidence of impairment would include factors such as the UK Government failing to meet interest or debt payments or the disappearance of an active market for the securities. The Bank tests its ability to liquidate gilts at least annually.

2.8 Hedge accounting

The Bank has chosen to apply the hedge accounting requirements of IAS 39 for fair value hedges of interest rate exposures of portfolios of financial assets.

On initial designation of a hedge, the Bank formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Management makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value of the respective hedged item during the period for which the hedge is designated.

Fair value hedges

Where a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability, or a firm commitment that could affect profit or loss, the change in fair value of the hedged item attributable to the hedged risk is also recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

2.9 Foreign currency translation

Functional and presentational currency

The Bank's functional and presentational currency is GBP. All amounts have been rounded to the nearest pound, unless otherwise indicated.

Transactions and balances

Foreign currency transactions, should they occur, are translated into the functional currency using the spot exchange rates at the dates of the transactions.

The Bank does not currently have any foreign currency exposures.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash. These are initially measured at fair value and subsequently recorded at amortised cost.

2.11 Share capital and equity

Issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Bank having a present obligation to deliver cash, another financial asset or a variable number of equity instruments. Where the Bank does have a present obligation, the instrument is classified as a financial liability.

The proceeds of the issuance of equity instruments are included in equity. Costs incurred that are incremental and directly attributable to the issuance are deducted from the proceeds (net of applicable tax).

Distributions to holders of equity instruments are recognised when they become irrevocable and are deducted from retained earnings. Own equity instruments that are reacquired, referred to as treasury shares, are

recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

2.12 Operating leases: the Bank as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The Bank has no finance leases. All other leases are classified as operating leases.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease, unless the payments to the lessor are structured to increase in line with expected general inflation in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the statement of profit and loss over the term of the lease as an integral part of the total lease expense.

2.13 Pensions

The Bank operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Once the contributions have been paid the Bank has no further payment obligations.

Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Bank in independently administered funds.

Contributions to defined contribution pension schemes are charged to the statement of profit and loss in the year to which they relate.

2.14 Long Term Incentive Plan

The Bank introduced LTIP schemes for key senior staff. The current LTIPs vest on the signing date of the annual report and accounts and will be settled in cash in April 2026, subject to the achievement of the scheme underpins. The initial award was based on personal performance, which is adjusted proportionately for increases or decreases in net asset value ("NAV") from grant to vesting. Employees leaving the Bank before the vesting date will forfeit their LTIPs unless they are deemed good leavers by the Remuneration Committee. The cost of the LTIPs is recognised on a straight-line basis over the life of the Plans, with adjustments made annually for increases or decreases in NAV and membership. The vesting of the LTIPs is at the discretion of the Remuneration Committee and the Board, and will also take into consideration other criteria, including minimum individual performance and behaviours over the vesting period, and the Bank's capital adequacy forecasts.

2.15 Taxation

Tax comprises current tax and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply on the reversal of the timing difference.

3. Accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management, from time to time, to make judgements and estimates that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Effective interest rate

IAS 39 requires interest earned from loans and advances to be measured under the Effective Interest Method ("EIM"). Management must therefore use judgement to estimate the expected life of each instrument, to determine the quantum and timing of redemptions that incur an early redemption charge and hence the expected cash flows relating to it.

The key assumption applied by management in applying the EIM is the estimation of the expected behavioural lives of the Bank's lending assets. For example, the expected life

assumption can be subject to changes in internal and external factors and may result in adjustments to the carrying value of loans which must be recognised in the statement of profit and loss and comprehensive income.

Estimates are made in the calculation of the EIR for loans and advances and include customer redemption profiles. Management uses historical customer behaviours to estimate prepayment rates by product type. The actual behaviour of the portfolios is compared to the modelled behaviour at least annually and the modelled behaviours are adjusted if the modelled behaviour materially deviates from actual behaviour, with adjustments recognised in the statement of profit and loss and comprehensive income.

A 10% decrease in expected life of loans results in an increase in income of £344k (2024: £426k) and an increase in expected life of 10% would result in a decrease in income of £561k (2024: £283k).

Impairment of financial assets

The Bank's accounting policy for impairment of loans and advances to customers is set out in Note 2 and consists of:

- individual assessments of impairment of all mortgage loans that are in default or where other objective evidence exists that all cash flows will not be received; and
- collective assessments of impairment of mortgage loans that are not subject to individual impairment provisions, where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

On an on-going basis the Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. Objective evidence of impairment may include observable data indicating that there has been an adverse change in the payment status of borrowers, or economic conditions that correlate with defaults on assets in the portfolio. Assumptions based on historical loss experience for assets with similar credit risk characteristics and external data are used to assess impairment. The methodology and assumptions used for estimating the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Individual impairments

The recoverable amount is typically dependent on the sale of the collateral. The amount recoverable is determined with reference to:

- the property valuation;
- any haircut arising from a forced sale discount and/or any deterioration in property value;
- the probability of repossession occurring;

- the time taken to realise the sale proceeds; and
- the legal and marketing costs associated with taking possession and selling the property.

A sensitivity analysis was carried out on the following key estimates used to calculate the recoverable amount and therefore the impairment provision required for individual cases:

- if the property valuation haircut arising from a forced sale discount increased by 5%, impairments would increase by £495k (2024: £967k); and
- if the time to realise the sale proceeds is increased by three months, impairments would increase by £155k (2024: £390k).

Collective impairment

The Bank has built a model to assess the level of collective impairment provision required. The model uses a number of the key assumptions used similar to the individual assessment as well as a probability of default (PD), which is also modelled. The Bank uses a credit grading model to estimate the PD of its lending. The credit grading model scorecard uses weighted qualitative and quantitative criteria including debt service coverage ratio, loan-to-value, product type and credit bureau scoring, among other factors, to determine a credit score. The score is mapped to an internally generated curve based on the Bank's historic default data to determine the loan-specific PD. The loan-specific PD is recalculated periodically based on changes in the borrower's circumstances and with uplifts applied to accounts in arrears or recently in arrears.

A sensitivity analysis was carried out on the following key estimates used to calculate the recoverable amount and therefore the impairment provision required for individual cases:

- if the property valuation haircut arising from a forced sale discount increased by 5%, impairments would increase by £257k (2024: £375k);
- if the probability of repossession given default increased by 10%, impairments would increase by £152k (2024: £213k); and
- if the probability of default increased by 1%, impairment would increase by £135k (2024: £175k).

Details of provisions for impairment losses are shown in Note 17.

4. Interest receivable

The following is an analysis of the Bank's revenue for the year from continuing operations:

	2025	2024
	£	£
Interest income from loans and advances to customers	40,878,866	41,987,564
Interest income from central bank	3,728,441	6,275,716
Income from treasury assets amortisation and interest	350,309	919,093
Interest income calculated using the effective interest rate method	44,957,616	49,182,373
Net income on derivative financial instruments	284,227	338,633
Total interest income	45,241,843	49,521,006
Analysis of revenue by country		
United Kingdom	45,241,843	49,521,006
Total	45,241,843	49,521,006

5. Interest payable

	2025	2024
	£	£
Interest payable		
35 Day notice accounts	4,098,578	4,475,209
95 Day notice accounts	7,809,373	7,643,161
1 Year bond	7,308,884	7,116,333
2 Year bond	2,092,617	1,878,276
5 Year bond	225,914	23,084
Subordinated debt	585,000	586,603
TFSME	400,710	1,546,793
Total	22,521,076	23,269,459

6. Fair value (losses)/gains on financial instruments

The following is an analysis of the Bank's fair value adjustments on financial instruments:

	2025	2024
	£	£
Fair value changes in hedged items	(1,227,245)	384,446
Fair value changes in hedging instruments	1,229,403	(387,156)
Net fair value changes	2,158	(2,710)
Accumulated fair value adjustments on de-designation of derecognised hedged items	75,298	(7,312)
Ineffective portion of hedges	77,456	(10,022)
Amortisation of fair value adjustments on de-designation of discontinued hedge relationships	3,443	1,090
Total	80,899	(8,932)

Derivative financial instruments (interest rate swaps) were executed in 2024 and 2025 to manage the Bank's exposure to interest rate risk.

7. Administrative costs

	2025	2024
	£	£
Staff costs (including Directors)	13,805,187	14,485,925
IT costs	2,788,651	2,449,798
Legal and professional fees	1,998,891	1,788,102
Depreciation and amortisation	451,415	428,855
Other costs	2,221,840	2,522,575
Total	21,265,984	21,675,255

8. Auditor's remuneration

	2025	2024
	£	£
Fees payable to the Bank's auditor (excluding VAT):		
Statutory audit	518,000	434,000
Other assurance service	1,000	40,000
Total	519,000	474,000

9. Staff costs

	2025	2024
	£	£
Staff costs (including Directors) comprise:		
<i>Fixed remuneration</i>		
Wages and salaries	10,773,780	11,128,487
National insurance	1,599,297	1,467,116
Defined contribution pension cost	935,588	905,733
<i>Variable remuneration</i>		
Cash bonus	314,002	544,509
Long Term Incentive Plan	182,520	440,080
Total	13,805,187	14,485,925

Performance-related annual cash-based bonus schemes for all staff are calculated based on seniority and performance in the grant year. In 2025 the Bank recognised a cost and liability of £314,002 (2024: £544,509) in respect of the cash-based bonuses.

The Bank also has cash-based Long Term Incentive Plans for key senior staff with the objective of promoting staff retention and aligning staff and shareholder objectives of achieving sustainable growth. Those staff included are awarded a grant as a percentage of annual salary, which is calculated based on seniority and performance in the grant year. The grants vest on the signing date of the annual report and accounts and are to be cash-settled in April 2026 with proportional adjustments for changes in the net asset value of the Bank. In 2025 the Bank recognised a cost of £183,204 (2024: £440,080) in respect of the cash-based Long Term Incentive Plans. The Bank carries a liability of £666,803 (2024: £1,481,838) for Long Term Incentive Plans. See Note 2.14 for further details.

The average monthly number of employees, excluding Non-Executive Directors, during the year was as follows:

	2025	2024
Full time	124	127
Part time	12	12
Total	136	139

10. Directors' remuneration

	2025	2024
	£	£
Directors' salaries	1,039,460	971,350
Directors' variable remuneration: LTIP ¹	92,071	214,313
Directors' fees	508,696	474,927
Directors' defined contribution pension costs	95,228	94,885
Directors' private health insurance	12,716	10,571
Total	1,748,171	1,766,046

During the year retirement benefits were accruing to three Directors (2024: three Directors) in respect of defined contribution pension schemes.

The highest paid director received total remuneration of £549,174 (2024: £606,373), including £nil (2024: £111,735) subject to deferral with respect to LTIP.

The value of the Bank's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £45,522 (2024: £43,990) and the Bank's contributions paid for private health insurance for the highest paid director amounted to £3,752 (2024: £3,248), both included in total remuneration above.



¹ Vesting and payable in April 2026

11. Taxation

The Bank recognised a tax charge of £176,701 through the statement of profit and loss in 2025 (2024: £869,726).

The Bank has recognised a deferred tax charge in respect of the temporary differences in the year. For the temporary differences, the Bank has evidence, that on an on-going basis, it has the ability to generate profits against which it can be offset in the future.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	2025	2024
	£	£
Analysis of tax charge for the period		
<i>Current tax</i>		
UK corporation tax at 25% (PY: 25%)	-	847,938
Adjustments in respect of prior periods	(15,634)	(2,685)
UK corporation tax (credit)/charge at 25% (PY: 25%)	(15,634)	845,253
<i>Deferred tax</i>		
Origination and reversal of timing differences	192,335	24,473
Total deferred tax charge	192,335	24,473
Tax charge on profit on ordinary activities	176,701	869,726
Profit before income taxes	779,514	2,697,814
Tax using Bank's domestic tax rate of 25% (2024: 25%)	194,879	674,453
Non-deductible expenses	12,716	229,698
Group relief claimed	(29,113)	(31,405)
Deferred tax adjustment in respect of prior period	13,853	(335)
Adjustments to tax charge in respect of previous periods	(15,634)	(2,685)
Total tax charge through profit or loss	176,701	869,726
Fixed asset timing differences	(9,827)	(19,297)
Short term timing differences	125,009	326,814
Total deferred tax assets	115,182	307,517

12. Risk management

The main areas of financial risk that the Bank is exposed to are:

- credit risk;
- liquidity risk;
- interest rate risk;
- operational risk; and
- capital adequacy risk.

Credit risk

Credit risk is the risk of suffering financial loss should borrowers or counterparties default on their contractual obligations to the Bank. The Bank currently only originates loans against fixed property at a maximum LTV of 75.0% (76.5% including fees). All loans are manually underwritten taking into consideration the specific circumstances of each borrower and the proposed security. Borrowers are required to have a minimum net debt service cover ratio of 125% at approval. Credit risks are managed by the Credit Committee and overseen by the Risk Committee.

Credit exposure

The Bank's maximum exposure to credit risk is the carrying value of its financial assets, without taking account of any underlying collateral, and contractual commitments, which represent agreements entered into but not advanced, as at 31 December 2025.

	2025	2024 (Restated)
	£	£
Assets		
Cash at central banks	85,516,188	109,225,704
Loans and advances to banks	8,841,755	6,372,789
Gilts	20,013,691	25,011,813
Loans and advances to customers	490,444,848	492,244,170
Other assets	1,483,513	92,857
Prepayments and accrued income	1,088,724	1,138,371
Maximum exposure to credit risk	607,388,719	634,085,704

The loans and advances to banks include £4,125,000 (2024: £2,255,000) held as collateral under interest rate swap contracts with the Bank's counterparty (NatWest Markets PLC).

The table below provides further information on balances and collateral held in respect of the mortgage portfolio in arrears by impairment status. The Bank's collateral is only recognised in respect of each individual mortgage and it does not recognise cross collateralisation.

The Bank has recognised 8 loans (2024: 13) as impaired, with a total exposure of £12,772,475 (2024: £18,348,860). The Bank has further loans totalling £20,604,947 (2024: £26,789,634) that are in arrears but not impaired.

The Bank acknowledges that there are circumstances where the borrower is in financial difficulty, but it is not in the best interests of either the Bank or the borrower to take default action. Accordingly, where the circumstances suggest that the better customer outcome is for the Bank to permit a modification or concession that will over a period of time have the potential to improve the customer outcome, and where the Bank in consequence is not taking a materially increased risk in so doing, the Bank will be prepared to offer forbearance.

Loans where payment holidays and tailored support have been granted total £5,185,947 as at end of December 2025 (2024: £7,471,460).

	2025	2025	2024	2024
	Loan balance	Value of collateral	Loan balance	Value of collateral
	£	£	£	£
<i>Impaired:</i>				
Past due and impaired	12,772,475	10,467,015	18,348,860	19,213,234
Total	12,772,475	10,467,015	18,348,860	19,213,234
<i>Not impaired:</i>				
Past due up to 3 months	17,262,870	26,421,197	11,810,534	20,119,495
Past due 3 to 6 months	335,029	829,294	3,921,234	5,844,737
Past due 6 to 12 months	-	-	6,504,970	8,953,419
Past due over 12 months	3,007,048	4,129,647	4,552,896	8,004,442
Past due but not impaired	20,604,947	31,380,138	26,789,634	42,922,093
<i>Forborne:</i>				
Past due and forborne	1,619,309	2,583,568	4,914,952	8,629,594
Not past due and forborne	3,566,638	6,583,202	2,556,508	3,284,728
Total	5,185,947	9,166,770	7,471,460	11,914,322

At 31 December 2025, the Bank had an approved but not drawn credit pipeline of £27.2m (2024: £47.5m).

Credit risk management

The Bank specialises in providing lending to small and medium-sized enterprises. It lends to owner-occupied businesses to invest in their own commercial premises, as well as to experienced commercial and residential property investors.

Loans are secured on properties solely located in Great Britain, and concentration risks are monitored and credit exposures spread across industry sector and geographic location.

Concentration of credit risk

The Bank measures concentration risk by product type, geographic location and loan size.

	2025	2024
	%	%
Lending by product type (value)		
Commercial real estate lending	29	38
Residential real estate lending	71	62
Total	100	100
Lending by geographical location (value)		
North East	8	8
Warrington and North West	21	21
West Midlands	8	8
Greater London and South East	20	30
Yorkshire and Humberside	11	10
East Midlands	9	5
South West	8	6
Hertfordshire, Bedfordshire, Buckinghamshire and East Anglia	8	5
Scotland	3	4
Wales	4	3
Total	100	100
Lending by loan size (value)		
0 - £250K	14	16
£251K - £500K	23	20
£501K - £1,000K	25	23
£1,001K - £2,000K	22	20
£2,001K - £3,000K	8	9
£3,001K - £4,000K	4	4
> £4,000K	4	8
Total	100	100

Credit risk security

All loan agreements with customers are secured by property.

The table below details credit exposures from mortgage loans and advances to customers by loan-to-value ratios using, where available, the most recent indexed valuations. LTV is calculated as the ratio of the gross amount of the loan to the value of the asset provided as collateral.

For non-defaulted loans, the collateral value is the valuation of the property at drawdown (or more recently) indexed to present value using established residential and commercial property price market indices unadjusted for any costs related to taking possession of the asset, selling the asset and any impairment allowance. However, collateral valued in excess of £1m for defaulted loans, which are not currently in administration or receivership, have been revalued by a registered valuer, before the relevant sales discount, costs of taking possession and selling the asset and valuation stress rates applied. Those impaired loans in administration or receivership have been attributed their agreed sales value, if applicable, or the latest valuation.

Loans with LTVs greater than 76.5%, the maximum LTV within policy for residential property, are mainly as a result of the indexation of loans using established residential and commercial property price market indices.

	2025	2024
	£	£
Lending by LTV ratio (value)		
Less than 50%	76,670,372	72,833,241
50 – 75%	355,739,853	345,480,489
75 – 100%	49,272,441	72,112,271
More than 100%	14,770,434	7,917,501
Total loans and advances to customers (excluding provisions for losses and deferred fees)	496,453,100	498,343,502

Credit risk – Treasury

Credit risk exists in the form of the counterparty risk of Treasury-related assets where the Bank has acquired securities or placed cash deposits with other financial institutions. No assets are held for speculative purposes or are actively traded. Gilts are held as part of the Bank’s liquidity buffer.

The table below sets out the credit quality of the Bank’s on balance sheet Treasury assets:

	2025	2024
	£	£
Deposits by counterparty credit rating		
Deposits at central banks – Rated AA-*	85,516,188	109,225,704
Loans and advances to other banks – Rated A+**	8,841,755	6,372,789
UK gilts – Rated AA-*	20,013,691	25,011,813
Total	114,371,634	140,610,306

* Ratings based on Fitch long-term credit rating (22 August 2025)
 ** Ratings based on Fitch long-term credit rating (13 November 2025)

Treasury asset credit risk is managed through various policies and procedures. These include the placement of excess cash with highly rated financial institutions, (the credit risk of which is controlled through limits as set out in the counterparty placements policy), and gilts being held as part of the liquidity buffer, although these attract sovereign risk.

Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its current and future financial obligations as they fall due or is only able to do so at excessive cost. The Bank's liquidity is managed on a daily basis by the Bank's Treasury Team with periodic oversight by the Assets and Liabilities Committee. Further periodic oversight is provided by the Risk Committee.

The Bank has developed comprehensive funding and liquidity policies to ensure that it maintains sufficient liquid assets to be able to meet all of its financial obligations and maintain depositor and market confidence.

Liquidity stress testing is conducted under a variety of scenarios, covering normal and more severe market conditions.

The table below analyses the Bank's contractual cash flows of its financial assets and liabilities.

	Carrying amount	Less than 3 months	3 months to 1 year	Greater than 1 year but no more than 5 years	Greater than 5 years
2025	£	£	£	£	£
Assets					
Cash and balances at central banks	85,516,188	85,516,188	-	-	-
Gilts	20,013,691	20,012,500	-	-	-
Loans and advances to banks	8,841,755	4,666,755	-	4,175,000	-
Loans and advances to customers	496,374,267	9,819,130	3,988,982	35,719,764	451,078,319
Derivative assets	4,829	22,255	75,750	244,834	-
Other assets	1,483,513	1,128,067	290,420	65,027	-
Prepayments and accrued income	1,088,724	123,003	965,722	-	-
Total assets	613,322,967	121,287,898	5,320,874	40,204,625	451,078,319
Liabilities					
Amounts due to banks	-	-	-	-	-
Customer deposits	546,762,522	168,302,494	324,980,873	62,491,531	-
Other liabilities	603,027	307,489	295,538	-	-
Accruals and deferred income	2,470,155	565,225	1,904,930	-	-
Subordinated debt	9,000,000	147,452	437,548	2,341,603	9,165,082
Total liabilities	558,835,704	169,322,660	327,618,889	64,833,134	9,165,082

	Carrying amount	Less than 3 months	3 months to 1 year	Greater than 1 year but no more than 5 years	Greater than 5 years
2024 (restated)	£	£	£	£	£
Assets					
Cash and balances at central banks	109,225,704	109,225,704	-	-	-
Gilts	25,011,813	12,500	5,187,500	20,012,500	-
Loans and advances to banks	6,372,789	4,067,789	-	2,305,000	-
Loans and advances to customers	498,343,502	12,557,178	4,078,700	29,479,562	456,580,131
Derivative assets	48,187	132,388	374,165	1,762,220	-
Other assets	92,857	-	27,830	65,027	-
Prepayments and accrued income	1,138,371	185,046	953,325	-	-
Total assets	640,233,223	126,180,605	10,621,520	53,624,309	456,580,131
Liabilities					
Amounts due to banks	18,726,182	228,589	18,922,360	-	-
Customer deposits	552,995,571	185,996,612	359,626,786	16,837,964	-
Other liabilities	1,925,790	1,851,313	74,477	-	-
Accruals and deferred income	3,251,346	711,804	2,539,542	-	-
Subordinated debt	9,000,000	291,699	440,753	2,341,603	9,602,630
Total liabilities	585,898,889	189,080,017	381,603,918	19,179,567	9,602,630

Interest rate risk

Interest rate risk is the risk of loss arising from adverse movements in market interest rates. Interest rate risk arises from the mismatch in the repricing profile of the loans and savings products that the Bank offers. This risk is managed within established risk limits.

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

The interest rate sensitivity exposure of the Bank at 31 December 2025 was:

	Within 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest bearing
2025	£	£	£	£	£	£
Assets						
Cash and balances at central banks	85,516,188	-	-	-	-	-
Gilts	20,000,000	-	-	-	-	-
Loans and advances to banks	4,125,000	-	-	-	-	4,716,755
Loans and advances to customers	214,155,446	2,545,649	18,656,990	259,312,856	-	-
Derivative contracts	97,000,000	-	-	-	-	-
Other assets	-	-	-	-	-	1,084,239
Total assets	420,796,634	2,545,649	18,656,990	259,312,856	-	5,800,994
Liabilities						
Amounts due to banks	-	-	-	-	-	-
Customer deposits	(190,149,030)	(216,735,606)	(76,651,473)	(57,323,125)	-	(6,198,827)
Other liabilities	-	-	-	-	-	(8,788,977)
Subordinated debt	-	-	-	-	(9,000,000)	-
Derivative contracts	-	-	-	(97,000,000)	-	-
Total equity	-	-	-	-	-	(49,983,070)
Total liabilities	(190,149,030)	(216,735,606)	(76,651,473)	(154,323,125)	(9,000,000)	(64,970,874)
Net interest rate risk gap	230,647,604	(214,189,957)	(57,994,483)	104,989,731	(9,000,000)	(59,169,880)

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

	Within 3 months	More than 3 months but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non interest bearing
2024 (restated)	£	£	£	£	£	£
Assets						
Cash and balances at central banks	109,225,704	-	-	-	-	-
Gilts	-	-	5,000,000	20,000,000	-	-
Loans and advances to banks	2,255,000	-	-	-	-	4,117,789
Loans and advances to customers	250,972,976	7,587,624	28,787,144	209,046,063	-	-
Derivative contracts	57,000,000	-	-	-	-	-
Other assets	-	-	-	-	-	4,883,034
Total assets	419,453,680	7,587,624	33,787,144	229,046,063	-	9,000,823
Liabilities						
Amounts due to banks	(18,500,000)	-	-	-	-	(226,182)
Customer deposits	(186,202,782)	(207,449,532)	(138,047,650)	(14,990,333)	-	(6,379,750)
Other liabilities	-	-	-	-	-	(11,625,833)
Subordinated debt	-	-	-	-	(9,000,000)	-
Derivative contracts	-	-	-	(57,000,000)	-	-
Total equity	-	-	-	-	-	(49,380,257)
Total liabilities	(204,702,782)	(207,449,532)	(138,047,650)	(71,990,333)	(9,000,000)	(67,612,022)
Net interest rate risk gap	214,750,898	(199,861,908)	(104,260,506)	157,055,730	(9,000,000)	(58,611,199)

Interest rate sensitivity analysis

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

The Bank estimates that a +/- 200 bps movement in interest rates paid/received would have impacted the economic value of equity at 31 December 2025 as follows:

- +200 bps – £1,815k negative (2024: £1,800k negative)
- -200 bps – £2,153k positive (2024: £2,038k positive)

The calculation assumes that the change occurred at the balance sheet date and has been applied per the product terms and conditions and to the effective rate at that date.

Hedging programme

When the Bank originates fixed rate lending assets it becomes exposed to interest rate risk, as the fair value of these fixed rate lending assets may change over time driven by the fluctuations of the overnight index swap (OIS) curve. Therefore, the Bank enters into interest rate swaps, paying fixed rates and receiving sterling overnight index average (SONIA) benchmark.

The Bank believes that there is a clear direct economic relationship between the hedged item and the hedging instrument, as the critical terms of the hedged item and the hedging instrument are very close in their terms: (a) the notional amount of the hedging instrument equals the notional amount of the hedged item; (b) the benchmark interest reference for the hedged item is Bank of England Base Rate and SONIA for the hedging instrument which observe a close relationship, and observed on similar dates, although paid both on the same, or in some cases, different dates; and (c) the maturity date of the hedging instrument is usually only marginally beyond the maturity of the hedged item.

A hedging ratio of 1:1 is set by comparing the notional of the derivatives with the principal amount of the hedged items. Potential sources of hedge accounting ineffectiveness may include: (a) credit risk of both counterparties under the swap (bilateral credit value adjustment), which is mitigated by collateralisation; (b) change in the timing of the occurrence of the cash flows being hedged; and (c) the hedged transactions being no longer highly probable (for instance if repaid prior to maturity), hence the notional amount of the hedging instrument being larger than the actual expected exposure. Refer to Note 19.

Operational risk

Operational risk is the risk of loss arising from a failure of controls emanating from the Bank’s processes, personnel, technology or infrastructure, or from external factors other than credit, market and liquidity risks, including those arising from legal and regulatory requirements and generally accepted standards of corporate conduct behaviour. Operational risk arises from all the Bank’s activities, be it from revenue generating areas, or its support and control functions.

The Bank’s objective is to ensure that it can fulfil its strategic intentions and financial goals, while managing the operational risks inherent in its business model. In doing so, it aims to balance the avoidance of financial losses and damage to the Bank’s reputation, with the requirement to adhere and comply with all applicable legal, regulatory and financial statutory requirements.

The Board of Directors has delegated oversight responsibility for operational risk to its Risk Committee. The Conduct, Compliance and Operational Risk Committee is the management committee responsible for the development, oversight, and management of controls to address operational risk.

Compliance with standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are presented to and discussed in the Audit & Compliance Committee.

Capital risk management

Capital risk management disclosures are included in the Strategic Report.



13. Cash and balances with banks

	Cash and cash equivalents		Not considered cash and cash equivalents		Total	
	2025	2024 (Restated)	2025	2024 (Restated)	2025	2024 (Restated)
	£	£	£	£	£	£
Cash and balances at central banks	85,516,188	109,225,704	-	-	85,516,188	109,225,704
Loans and advances to banks	4,666,755	4,067,789	4,175,000	2,305,000	8,841,755	6,372,789
Total	90,182,943	113,293,493	4,175,000	2,305,000	94,357,943	115,598,493

The balances at banks other than central banks include £4,125,000 (2024: £2,255,000) held as collateral under interest rate swap contracts with the Bank's counterparty (NatWest Markets PLC).

14. Gilts

	2025	2024
	£	£
Held to maturity financial assets at amortised cost	20,013,691	25,011,813
Total	20,013,691	25,011,813

The Bank had a pool of financial assets up to 2025, consisting of gilts, that were held to maturity as an economic hedge against the interest rate risk created by the fixed interest rate associated with the subordinated debt and 1, 2 and 5-year bonds.

The Bank repaid the outstanding TFSME borrowing in full during the year and thus the Bank has encumbered £nil (2024: £25.0m) of its gilts as collateral against the TFSME (see Note 23).

15. Fair value

The fair value of financial assets and liabilities that are measured at fair value are based on quoted market prices. If the market is not active the Bank establishes a fair value by using appropriate valuation techniques.

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly; and
- Level 3: valuation techniques using observable or unobservable market data.

The Bank holds derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk as part of a hedging strategy.

The fair value of the Bank's hedged items and derivative financial instruments are calculated based on the present value of future interest cash flows, discounted at the market rate of interest at the balance sheet date and are thus classified as Level 2 financial instruments.

There have been no transfers between classifications in 2025 or 2024.

16. Loans and advances to customers

	2025	2024
	£	£
Customer loans		
Secured loans including interest accruals	496,374,267	498,343,502
Unsecured loans	78,833	-
Less: EIR liabilities	(1,089,722)	(1,098,388)
Less: provision for impairment losses on loans (see Note 17)	(4,918,530)	(5,000,944)
Total	490,444,848	492,244,170

Loans to customers are repayable from the reporting date as follows:

	2025	2024
	£	£
Maturity analysis		
Less than one year	168,242	4,043,638
One to five years	8,563,606	1,523,061
More than five years	487,721,252	492,776,803
	496,453,100	498,343,502
EIR liabilities	(1,089,722)	(1,098,388)
Less: provision for impairment losses on loans (see Note 17)	(4,918,530)	(5,000,944)
Total	490,444,848	492,244,170

The above analysis is based on contractual maturity and may not reflect actual experience of repayments, since many mortgage loans may be repaid early.

17. Loan loss provisions

The impairment relates to the loans and advances to customers.

	2025	2024
	£	£
Collective loan provision:		
Balance at beginning of the year	1,066,643	1,124,076
Credit for the year	(407,514)	(57,433)
Closing balance at the end of the year	659,129	1,066,643
Individual loan provision:		
Balance at beginning of the year	3,934,301	5,522,602
Write backs in the year	(327,902)	(573,592)
Charge for the year ¹	1,551,543	2,602,822
Provisions utilised during the year ²	(898,541)	(3,617,531)
Closing balance at the end of the year	4,259,401	3,934,301
Collective loan provision	659,129	1,066,643
Individual loan provision	4,259,401	3,934,301
Total loan loss provisions	4,918,530	5,000,944
At 1 January	5,000,944	6,646,678
Charge for the year	756,168	1,869,546
Recovery	59,959	102,251
Provision utilised during the year	(898,541)	(3,617,531)
At 31 December	4,918,530	5,000,944

¹2024 charge including £1m related to a material, non-recurring impairment.

²2024 provisions utilised including £1m related to a material, non-recurring impairment.

18. Derivative assets and derivative liabilities

	2025	2024
	£	£
Fair value adjustments on hedging instruments	-	387,156
Net interest receivable from interest rate swap contracts	-	48,187
Derivative assets	-	435,343

	2025	2024
	£	£
Fair value adjustments on hedging instruments	1,229,403	-
Net interest receivable from interest rate swap contracts	(4,829)	-
Derivative liabilities	1,224,574	-

19. Hedge accounting

The Bank holds overnight index swaps where a fixed rate is either paid or received against a floating rate indexed to SONIA to protect the fair value of the assets (fixed rate residential lending classified under 'loans and advances to customers'). These swaps are designated as fair value hedges of interest rate exposures of portfolios of financial assets, and changes in their fair value are included in the income statement, at the same time as an adjustment to the hedged item to reflect their hedging nature. The amount of cumulative change in fair value of the hedged item due to the hedged risk is assessed by using a hypothetical derivative method.

Hedging arrangements with a total notional value of £15m (2024: £10m) were deemed ineffective during the year and discounted prospectively. At the time of discontinuation outstanding hedging instruments are either sold or re-designated against a new hedge relationship. The accumulated fair value adjustment at the time of hedge ineffectiveness is being amortised to profit or loss over the remaining life of the hedged item. £75k (2024: -£23k) of balances were held on the balance sheet at 31 December 2025 in this regard, which form part of the fair value adjustments on hedged assets line of the Balance Sheet, as follows:

	2025	2024
	£	£
Loans and advances: Fixed rate mortgages	1,227,245	(384,446)
Accumulated fair value adjustments of ineffective hedges being amortised to profit or loss	75,298	(23,438)
Total	1,302,543	(407,884)

As at 31 December 2025 the outstanding nominal and fair values of the overnight index swaps designated as fair value hedges, excluding net accrued interest amounting to £5k (2024: £48k), were as follows:

2025

Hedging instruments	Notional amount	Fair value	Hedge ineffectiveness recognised in the Profit and Loss Statement
	£	£	£
Interest rates swaps	97,000,000	(1,229,403)	20,153

Hedged items	Carrying amount	Fair value adjustment	Hedge ineffectiveness recognised in the Profit and Loss Statement
	£	£	£
Loans and advances: Fixed rate mortgages	97,000,000	1,227,245	(20,153)

2024

Hedging instruments	Notional amount	Fair value	Hedge ineffectiveness recognised in the Profit and Loss Statement
	£	£	£
Interest rates swaps	57,000,000	387,156	10,022

Hedged items	Carrying amount	Fair value adjustment	Hedge ineffectiveness recognised in the Profit and Loss Statement
	£	£	£
Loans and advances: Fixed rate mortgages	57,000,000	(384,446)	(10,022)

Timing of nominal amount of hedging instruments

The below table shows a profile of the timing of the nominal amount of the hedging instrument.

2025	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
	£	£	£	£
Interest rate swaps paying fixed	-	-	97,000,000	-

2024	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years
	£	£	£	£
Interest rate swaps paying fixed	-	-	57,000,000	-

20. Intangible fixed assets

	Website development	Computer software	Total
	£	£	£
Cost			
At 1 January 2024	181,573	1,213,364	1,394,937
Additions	-	563,604	563,604
At 31 December 2024	181,573	1,776,968	1,958,541
Additions	-	481,172	481,172
At 31 December 2025	181,573	2,258,140	2,439,713
Accumulated amortisation and impairment			
At 1 January 2024	108,140	502,977	611,117
Charge for the year	39,613	296,676	336,289
At 31 December 2024	147,753	799,653	947,406
Charge for the year	32,009	327,905	359,914
At 31 December 2025	179,762	1,127,558	1,307,320
Net book value			
At 1 January 2024	73,433	710,387	783,820
At 31 December 2024	33,820	977,315	1,011,135
At 31 December 2025	1,811	1,130,582	1,132,393

21. Tangible fixed assets

	Office equipment	Computer equipment	Other property, plant and equipment	Total
	£	£	£	£
Cost				
At 1 January 2024	48,688	328,613	440,256	817,557
Additions	-	69,653	-	69,653
At 31 December 2024	48,688	398,266	440,256	887,210
Additions	7,770	36,973	-	44,743
At 31 December 2025	56,458	435,239	440,256	931,953
Accumulated depreciation and impairment				
At 1 January 2024	31,818	214,282	397,275	643,375
Charge for the year	4,522	67,822	20,222	92,566
At 31 December 2024	36,340	282,104	417,497	735,941
Charge for the year	4,522	71,840	15,139	91,501
At 31 December 2025	40,862	353,944	432,636	827,442
Net book value				
At 1 January 2024	16,870	114,331	42,981	174,182
At 31 December 2024	12,348	116,162	22,759	151,269
At 31 December 2025	15,596	81,295	7,620	104,511

22. Other assets and prepayments and accrued income

	2025	2024 (Reclassified)
	£	£
Other assets	1,302,360	92,857
Tax receivable	181,153	-
Prepayments	965,721	953,325
Accrued income	123,003	185,046
Total	2,572,237	1,231,228

Included within other assets are funds in transit from a solicitor of £1.2m (2024: £nil) for a customer loan redemption. Prepayments include amounts prepaid in respect of administrative costs including IT licence fees and insurance.

23. Amounts due to banks

	2025	2024
	£	£
TFSME	-	18,726,182
Total	-	18,726,182

During 2020 and 2021 the Bank gained access to and drew down against the TFSME. The principal is repayable four years from drawdown. £18.7m of the TFSME facility was redeemed during the year (2024: £19.4m). Total interest paid during the year in relation to the debt was £400,710 (2024: £1,546,793).

24. Customer deposits

	2025	2024
	£	£
35-day notice deposits	128,223,609	126,639,982
95-day notice deposits	219,841,737	202,810,716
1-year Bond	129,299,967	177,182,168
2-year Bond	63,483,255	41,036,845
5-year Bond	5,348,518	5,130,473
Easy access	565,436	185,387
Other deposits	-	10,000
Total	546,762,522	552,995,571

25. Other liabilities and accruals and deferred income

	2025	2024 (Reclassified)
	£	£
Other liabilities	603,027	1,925,790
Accruals	2,449,458	3,090,544
Deferred income	20,697	160,802
Total	3,073,182	5,177,136

Included accruals are cost and payroll accruals.

26. Subordinated debt

	2025	2024
	£	£
Subordinated debt	9,000,000	9,000,000
Total	9,000,000	9,000,000

During 2020, the Bank issued £9.0m of subordinated debt, drawn down in three tranches, that rank as subordinate to senior liabilities. The debt is repayable in 10 years from issue maturing on 11 January 2031 and currently bears a fixed interest rate of 6.5% p.a. – payable quarterly. Total interest paid during the year in relation to the debt was £585,000 (2024: £586,603). The debt is considered eligible as Tier 2 capital, and will start amortising for the purpose of regulatory capital at 20% per annum from February 2026, the start of the final five years to its maturity.



27. Share capital

Issued	2025	2025	2024	2024
	Number	£	Number	£
Ordinary shares at £0.001 each				
As at 1 January	100,010	100	100,010	100
Shares issued	-	-	-	-
As at 31 December	100,010	100	100,010	100
Ordinary B shares at £0.001 each				
As at 1 January	7,525	8	7,525	8
As at 31 December	7,525	8	7,525	8
Ordinary C shares at £0.001 each				
As at 1 January	3,235	3	3,235	3
As at 31 December	3,235	3	3,235	3
Total	110,770	111	110,770	111

Holders of ordinary shares are entitled to receive notice of, to attend, to speak and to vote at any general meeting and to receive or vote on, and otherwise constitute an eligible member for the purposes of, proposed written resolutions. Rights as to dividends are as described in the Bank's articles of association ("articles"). The ordinary shares shall entitle the holders of them to participate in a return of capital as described in the articles. The ordinary shares are non-redeemable. The holders of ordinary shares are entitled to one vote per share at meetings of the Bank.

Holders of B shares are not entitled to receive notice of, to attend, to speak or to vote at any general meeting nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions. Rights as to dividends are as described in the Bank's articles. The B shares shall entitle the holders to participate in a return of capital as described in the articles. The B shares are non-redeemable.

Holders of C shares are not entitled to receive notice of, to attend, to speak or to vote at any general meeting nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions. Rights as to dividends are as described in the Bank's articles. The C shares shall entitle the holders of them to participate in a return of capital as described in the articles. The C shares are non-redeemable.

28. Reserves

	2025	2024
	£	£
Share premium	47,922,405	47,922,405
Called up share capital	111	111
Retained earnings	2,060,554	1,457,741
Total	49,983,070	49,380,257

29. Analysis of changes in net debt

	At 1 Jan 2025	Cash flows	Acquired	Non-cash changes	At 31 Dec 2025
	£	£	£	£	£
Cash and balances at central banks	109,225,704	(23,709,516)	-	-	85,516,188
Loans and advances to banks	4,067,789	598,966	-	-	4,666,755
Subordinated debt	(9,000,000)	-	-	-	(9,000,000)
At 31 December 2025	104,293,493	(23,110,550)	-	-	81,182,943

	At 1 Jan 2024	Cash flows	Acquired	Non-cash changes	At 31 Dec 2024
	(Restated) £	£	£	£	(Restated) £
Cash and balances at central banks	106,359,808	2,865,896	-	-	109,225,704
Loans and advances to banks	3,443,328	624,461	-	-	4,067,789
Subordinated debt	(9,000,000)	-	-	-	(9,000,000)
At 31 December 2024	100,803,136	3,490,357	-	-	104,293,493

30. Country by Country Reporting

The Capital Requirements (Country by Country Reporting) Regulation 2013 places certain reporting obligations on financial institutions that are within the scope of Capital Requirements Directive (“CRD IV”).

The objective of the Country-by-Country Reporting requirements is to provide increased transparency regarding the source of the financial institution’s income and the locations of its operations. The Bank is a UK-registered entity.

The Bank is a deposit taker and lender and operates only in the United Kingdom.

	2025	2024
	£	£
Turnover	22,720,767	26,251,547
Profit before tax	779,514	2,697,814
Corporation tax charge	176,701	869,726
Average number of employees	136	139

Turnover is defined as total interest income less interest expense.

31. Undrawn commitments and contingent liabilities

The Bank had undrawn commitments of £27.2m (2024: £47.5m) and no contingent liabilities at 31 December 2025 or 31 December 2024.

32. Pensions

The Bank operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Bank in an independently administered fund. The pension cost charge represents contributions payable by the Bank to the fund and amounted to £935,588 (2024: £905,733) during the year. The amount of pension contribution payable is £103,411 as at 31 December 2025 (2024: £111,146).

33. Commitments under non-cancellable operating leases

The Bank leases its head office in Letchworth Garden City, as well as its regional office in Warrington, under operating leases. The Bank signed new leases in 2019 for the Letchworth offices, which run for periods of 10 years, ending in 2029, with an option to break the lease after five years. The Bank elected not to exercise this break clause in 2024. A new lease was also signed in 2025 for the Warrington office for a period of three years, ending in 2028.

At 31 December 2025 the Bank had future minimum lease payments under non-cancellable operating leases as follows:

	2025	2024
	£	£
Not later than 1 year	241,459	157,798
Later than 1 year and not later than 5 years	530,189	435,681
Total	771,648	593,479

During the year £234,253 (2024: £190,361) was recognised as an expense in the statement of profit and loss in respect of operating leases.

34. Other financial commitments

The Bank has commitments under contracts, with key suppliers, to purchase intangible assets relating to computer software to the value of £310k (2024: £342k).

The Bank’s lending pipeline commitments are disclosed in Note 12.

The Bank’s operating lease commitments are disclosed in Note 33.

35. Transactions with Directors

The key personnel of the Bank comprised the Executive and Non-Executive Directors of the Bank. The compensation of key personnel is shown in Note 10.

There were no transactions with key personnel.

36. Related party transactions

As at 31 December 2025, the Bank held no deposits for companies under common control (2024: £nil).

Intercompany loans from the Bank to its parent company, RFPL, are £106,601 (2024: £23,724), which are unsecured and repayable on demand.

The Bank leases its Warrington office from Warrington Borough Council, a significant shareholder of the Bank’s parent company, RFPL. The lease is at market rates on an arm’s length basis. Rent paid on this property for the year was £95,146 (2024: £83,232).

The Bank has issued subordinated debt to Warrington Borough Council and Thurrock Borough Council, both of which are shareholders in the Bank’s parent company, RFPL. The total subordinated debt issued is £9.0m (2024: £9.0m) and interest paid totalled £585,000 (2024: £586,603).

Details of transactions with Directors are disclosed in Note 35.

37. Restatement and reclassification

37a. Restatement

The restatement of cash and balances at central banks has been made to the prior year's financial statements to comply with the statutory format, Schedule 2 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The prior year's cash and balances at central banks included loans and advances to banks. As a result, the amounts of cash and balances at central banks and loans and advances to banks have been disclosed separately in the statement of financial position, the statement of cash flows and the related notes to the financial statements: Notes 12, 13 and 29.

In the statement of cash flows, loans and advances to banks show cash and cash equivalents that are exclusive of cash and margin calls held as collateral (see Note 13). The prior year comparatives incorrectly included the cash and margin calls. The statement of cash flows has been restated to exclude the cash and margin calls held as collateral. Interest received and interest paid were not disclosed in the prior year financial statements but have been disclosed in the current year financial as additional disclosure to the statement of cash flows.

Comparative figures have been adjusted to conform to the current year's presentation. The following table presents the figures before and after the restatement:

	Note	2024 £ (Before)	Adjustment £	2024 £ (After)
Statement of financial position				
Cash and balances at central banks	13	115,416,225	(6,190,521)	109,225,704
Loans and advances to other banks	13	-	6,372,789	6,372,789
Statement of cash flows				
<i>Cash flows from operating activities</i>				
<i>Adjustments for</i>				
Net increase in loans to banks		-	(1,870,000)	(1,870,000)
<i>Cash and cash equivalents comprise:</i>				
Cash and balances at central banks	13	-	109,225,704	109,225,704
Loans and advances to banks	13	-	4,067,789	4,067,789
Cash and cash equivalents at the end of the year		115,416,225	(2,122,732)	113,293,493

Interest received was £41.2m (2024: £45.1m) and interest paid was £16.6m (2024: £17.0m).

37b. Reclassification

A change in presentation for other assets and other liabilities has been made to the prior year's financial statements to comply with the statutory format and enhance comparability with the current year's financial statements given that the amount of each type of asset and liability is material. Other assets are presented separately as 'other assets', and 'prepayments and accrued income'; other liabilities are presented separately as 'other liabilities', and 'accruals and deferred income' in the statement of financial position, the statement of cash flows and the related notes to the financial statements: Notes 22 and 25. An explanation of the nature of the asset and liability is given in the notes.

Comparative figures have been adjusted to conform to the current year's presentation. The following table presents the figures before and after the reclassification:

	Note	2024 £ (Before)	Adjustment £	2024 £ (After)
Statement of financial position				
Other assets	22	1,231,228	(1,138,371)	92,857
Prepayments and accrued income	22	-	1,138,371	1,138,371
Other liabilities	25	4,994,868	(3,069,078)	1,925,790
Accruals and deferred income	25	-	3,251,346	3,251,346
Statement of cash flows				
<i>Cash flows from operating activities</i>				
<i>Adjustments for</i>				
Increase in other assets	22	(194,032)	193,114	(918)
Increase in prepayments and accrued income	22	-	(193,114)	(193,114)
(Decrease)/increase in other liabilities	25	(241,806)	1,174,523	932,717
Increase in accruals and deferred income	25	-	(603,948)	(603,948)

38. Events after the reporting date

There have been no significant or reportable events following the year end.

39. Controlling party

The Directors regard Redwood Financial Partners Limited, a company registered in the United Kingdom, as the Bank's controlling party and ultimate parent undertaking. The registered office of the holding company is 43 Harwood Road, London, United Kingdom SW6 4QP.



