shawbrook

Shawbrook Group plc

Annual Report and Accounts

2024

Banking for the real world.

Shawbrook in numbers

Exceptional customer franchise

- **2** Customer franchises
- **15** Customer verticals
- **4.7/5★** Trustpilot score[1] (2023: 4.7/5)
- **c.600,000** Customers served (2023: c.560,000)

Innovative mindset driving growth and performance

- **16%**[2] Loan book growth to £15.2 billion (2023: £13.3 billion)
- **4.3%** Net interest margin (2023: 4.9%)
- **£294 million** Underlying profit before tax (2023: £302 million); £295 million Statutory profit before tax (2023: £287 million)
- **81%** Employee engagement score (2023: 84%)
- **1,585** Employees[3] (2023: 1,435)

Robust and sustainable platform

- **40.8%** Underlying cost to income ratio (2023: 38.2%); 40.6% Statutory cost to income ratio (2023: 40.9%)
- **47bps** Cost of risk (2023: 51bps)
- **16.7%** Underlying return on tangible equity (2023: 20.2%); 16.8% Statutory return on tangible equity (2023: 19.1%)
- **13.0%** CET1 ratio (2023: 12.9%)
- **15.9%** Total capital ratio (2023: 16.4%)

Note: Reconciliation from underlying to statutory results is provided on page 12.

1 The Group's total Trustpilot score (excluding The Mortgage Lender Limited (TML), Bluestone Mortgages Limited (BML) and JBR Auto Holdings Ltd (JBR)) as at December 2024.

2 The growth rate of 16% represents the loan book growing to £15.9 billion when adjusted to add back in the structured asset sales with a carrying amount of c.£0.7 billion. Excluding the structured asset sales, the loan book was £15.2 billion and represented a growth rate of 14%.

3 The Group's average number of employees is calculated in line with the Companies Act 2006 requirement.

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shawbrook.co.uk

x.com/shawbrookbank
x/shawbrookbroker

linkedin.com/company/shawbrook-bank

About Shawbrook

We provide finance to a wide range of customer segments that value the premium experience, flexibility and certainty we deliver.

Our ambition is to grow our specialist proposition, while retaining the innovative mindset and agility of a start-up.

Our three strategic priorities

1. Exceptional customer franchise

- Diversified offering, supporting clearly defined customer groups in carefully selected markets.
- Innovative lending propositions tailored to meet specific and often event-driven funding needs.
- Delivering excellent experiences and positive customer outcomes.

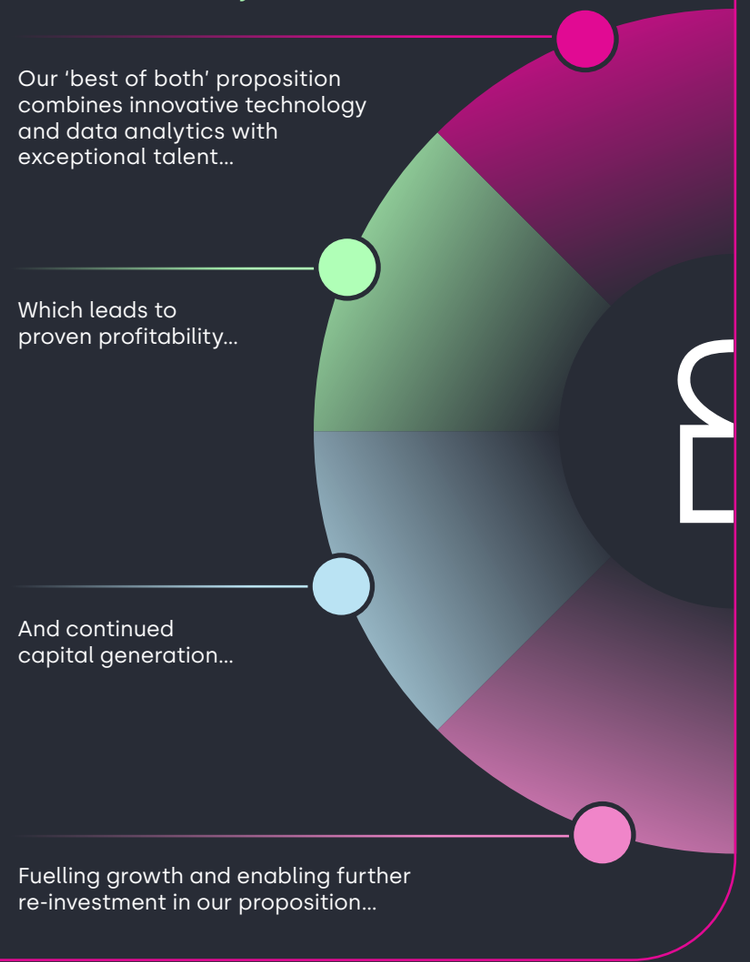
2. Innovative mindset driving growth and performance

- A culture that drives innovation and agility by leveraging digital capabilities.
- Consistent balance sheet growth, delivering attractive risk-adjusted returns.
- Attractive destination for the best technology and banking talent.

3. Robust and sustainable platform

- Sophisticated data-driven and forward-looking risk management.
- Operationally efficient and cost-effective model, with conservative capital management.
- Delivering long-term sustainable value for our stakeholders.

A differentiated model that drives attractive risk-adjusted returns



Our diversified product offering continues to provide attractive choice and opportunities

Commercial franchise (c.65% of the total loan book)

SME

Supports established and fast-growth small and medium-sized enterprises (SMEs) with a range of innovative and tailored solutions for event-driven needs.

Structured lending

- Financial sponsors
- Speciality finance
- Corporate leverage
- Asset based lending
- Development finance

Digital SME lending

£3.1bn loan book

Real Estate

Supports the property sector with a range of diverse residential and commercial loan products designed to support experienced professional landlords and property investors.

- Buy-to-let
- Bridging finance
- Commercial mortgages

£6.8bn loan book

Retail franchise (c.35% of the total loan book)

Retail Mortgage Brands

Provides specialist residential mortgages to those with non-traditional and complex income and credit profiles, including the self-employed and entrepreneurs, as well as buy-to-let mortgages for professional landlords.

- Owner-occupied mortgages
- Buy-to-let

£4.4bn loan book

Consumer Finance

Provides specialist motor finance for high-end vehicles, predominantly supporting entrepreneurs and high-income professionals. Our unsecured personal loans proposition is distributed through digital partners, marketplaces and direct.

- Motor finance
- Unsecured personal loans

£0.9bn loan book

Savings

Our wide range of savings products, which include easy access, notice and fixed-term accounts as well as fixed and easy access cash ISAs, are distributed through a range of partners and direct through our proprietary digital platform.

- Personal savings
- Business savings

£15.8bn deposits

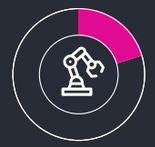
See pages 15 to 27 for more information on our product offerings.

A diversified business model combining human expertise with scalable and adaptive technology

1 Diversified growth engine

Commercial franchise

SME



£3.1bn
loan book

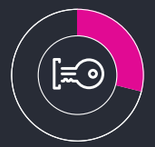
Real Estate



£6.8bn
loan book

Retail franchise

Retail Mortgage Brands



£4.4bn
loan book

Consumer Finance



£0.9bn
loan book

Retail funding

Savings



£15.8bn
deposits

2 Enabled by a proven business model

Origination

Multi-channel distribution

- Direct
- Digital
- Partners
- Inorganic

'Best of both' capabilities

Data and technology enhances human judgment and automates key processes



Revenue model

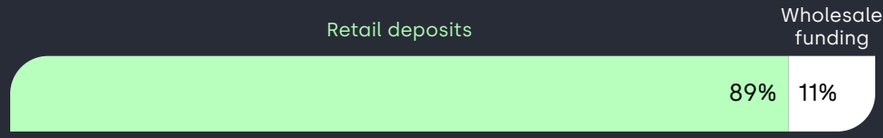
Diversified revenues

- Interest income
- Fee income
- Structured asset sales

3 Fuelled by stable and scalable funding

Liquidity

Our balance sheet is funded by stable and resilient retail deposits, supplemented with wholesale funding



Capital

Backed by supportive investors, our strong equity position is further strengthened by our ability to issue debt instruments and to securitise selected assets for funding and capital optimisation purposes

- Equity
- Debt instruments
- Securitisations

Creating sustainable competitive advantage

We provide finance to a wide range of customer segments that value the premium experience, flexibility and certainty we deliver.

Strategic priorities	2024 progress	
Exceptional customer franchise	• Launched a unified Commercial and Retail franchise structure, led by dedicated Chief Banking Officers, for sharper customer focus. • Introduced new products and services to stay ahead of customer needs and expectations including our Structured Real Estate proposition, offering a more bespoke, relationship-led service for complex transactions up to £35 million. We also extended our Development Finance product range to include development exit financing to better support developers across their funding cycle.	• Boosted customer retention through our Real Estate Switch and Fix option, offering a streamlined process for customers to secure a new fixed-rate as they approach the end of the term of their loan. • Enhanced digital customer journeys, with automation in our Digital SME proposition enabling same day payouts[1] in a market where processes are typically slow. • Acquired and integrated JBR Auto Holdings Ltd (JBR), expanding into high-end motor finance.
Innovative mindset driving growth and performance	• Launched our new proprietary Digital Savings platform, which gives us complete control over the experience and functionality it delivers. We have progressed the roll-out, with c.270,000[2] savings customers now benefiting from the new enhanced self-service experience after being seamlessly upgraded. • Scaled our Lending Hub origination platform, cutting time to offer by up to 29%[3], while supporting 12%[4] higher customer conversion for digital buy-to-let cases. • Embedded artificial intelligence (AI) and machine learning tools to elevate customer and colleague experience. • Integrated the PEXA Create application programming interface (API), enabling fully digital Land Registry filings and financial settlements.	• Moved into new London premises, fostering employee collaboration and supporting our wellbeing and sustainability goals. • Strengthened talent development through enhanced learning and development opportunities and completed the third Thrive apprenticeship intake[5]. • Boosted our employee value proposition, achieving 87% participation in our latest survey and an engagement score of 81%. • Launched our new website, using a modular set-up built from reusable components and a common design language, enabling rapid development and delivering a consistent end-to-end customer journey across our public and secure sites.
Robust and sustainable platform	• Expanded early warning indicator capabilities across the Group, using our proprietary technology to identify customers who are showing signs of financial distress up to four months earlier[6]. • Launched a unified digital workflow tool, streamlining internal audit, risk and compliance processes, encouraging collaboration across all three lines of defence. • Fully integrated Open Banking into our personal loans customer onboarding journeys, enabling data-driven decisions.	• Initiated the repayment of our Bank of England's TFSME drawings, reducing balances to £0.8 billion (FY23: £1.2 billion). • Continued to build on our securitisation track record, completing two further transactions during the year. Totalling £1.0 billion of property assets, these have helped to unlock external funding and capital optimisation benefits with the latter generating a £14 million gain on sale at derecognition. • Advanced our sustainability strategy to drive greater long-term impact.

1 Where all information is received by midday.
2 As at March 2025.
3 In 2024, digital buy-to-let cases processed via Lending Hub reached formal offer 29% faster than those processed on legacy platform.
4 Digital buy-to-let 2024 conversion rate was 75% on Lending Hub vs 66% processed on legacy platform.
5 Read more about our Thrive apprenticeship programme on page 38 of our Sustainability Report.
6 Up to four months earlier identification relates to our Digital SME business.

Chairman's statement

"I am pleased to present Shawbrook's 2024 Annual Report and Accounts, highlighting a year in which we continued to strengthen our presence across our specialist markets, achieving 16%[1] growth in our loan book. Despite ongoing economic, political, and market uncertainty, we maintained our commitment to strategic investment in technology, talent and innovation. This focus led to an impressive performance, particularly during the second half of the year, giving us excellent momentum as we move into 2025."

John Callender
Chairman



Our differentiated customer proposition

As the economy, the environment and geo-political landscape continue to change, uncertainty is increasingly the single constant. A consequence of such persistent volatility is that the businesses, property investors and individuals we serve are increasingly looking for both more flexibility and greater levels of certainty.

The ability to meet these needs and expectations, sustainably and at scale, is exactly what we have built Shawbrook to do. So I am pleased to report that our established and well-diversified specialist lending and savings proposition continued to attract increased demand during the year, with the number of customers we served growing to a record c.600,000.

Our ability to understand and to stay ahead of customer needs is at the core of our specialist proposition, but is not something we ever take for granted. We need to continuously refine and sharpen our customer focus, which we have demonstrated once again during 2024 by evolving our Commercial and Retail franchises under the leadership of two very experienced and progressive Chief Banking Officers.

A robust and resilient balance sheet

Our 'best of both' proposition, combining digital capabilities with the expertise of our people, continues to drive strong growth, with our loan book closing the year at £15.2 billion.

Our savings proposition remains instrumental in supporting our lending activities, with our deposit book growing to £15.8 billion as at 31 December 2024. We have continued to make significant progress in developing our proprietary Digital Savings platform. By harnessing technology, we are building deeper connections with our savings customers while offering a more intuitive and efficient experience. Read more about our new Digital Savings platform on page 9.

Our balance sheet remains robust, underpinned by strong capital and liquidity resources, ensuring we continue to be well-positioned to pursue sustainable growth.

A strong culture underpinned by a talented workforce

Our success is underpinned by an engaged and talented workforce. Throughout 2024, we continued to recruit and retain exceptional talent, driving forward our ambition to be an attractive destination for top banking and technology professionals.

We also enhanced our employee value proposition, prioritising continuous development and fostering a supportive and ambitious culture. This commitment is reflected in our latest engagement score, where we achieved an impressive 81%. Shawbrook is a high-performance organisation and its success is driven by the hard work, dedication and ambition of our people, all of whom I would like to thank once again on behalf of the Board.

I was pleased to welcome Derek Weir to the Board in July 2024 as a Non-Executive Director and Chair Designate of the Risk Committee. Derek brings a wealth of experience in both executive and non-executive roles. Having passed the nine-year anniversary of his appointment to the Board, Paul Lawrence retires on 31 March 2025. Paul has made a tremendous contribution to Shawbrook and I would like to personally thank him for his support over the time I have been Chairman.

We also refined our Executive Committee during the year, creating a more focused and agile leadership team, while launching our consolidated Commercial and Retail franchise structure. I was delighted to welcome Miguel Sard to Shawbrook to lead the new Retail franchise, which brings all of our retail-focused businesses, including Savings, TML, BML and JBR, together under a single unified structure.

1 The growth rate of 16% represents the loan book growing to £15.9 billion when adjusted to add back in the structured asset sales with a carrying amount of c.£0.7 billion. Excluding the structured asset sales, the loan book was £15.2 billion and represented a growth rate of 14%.

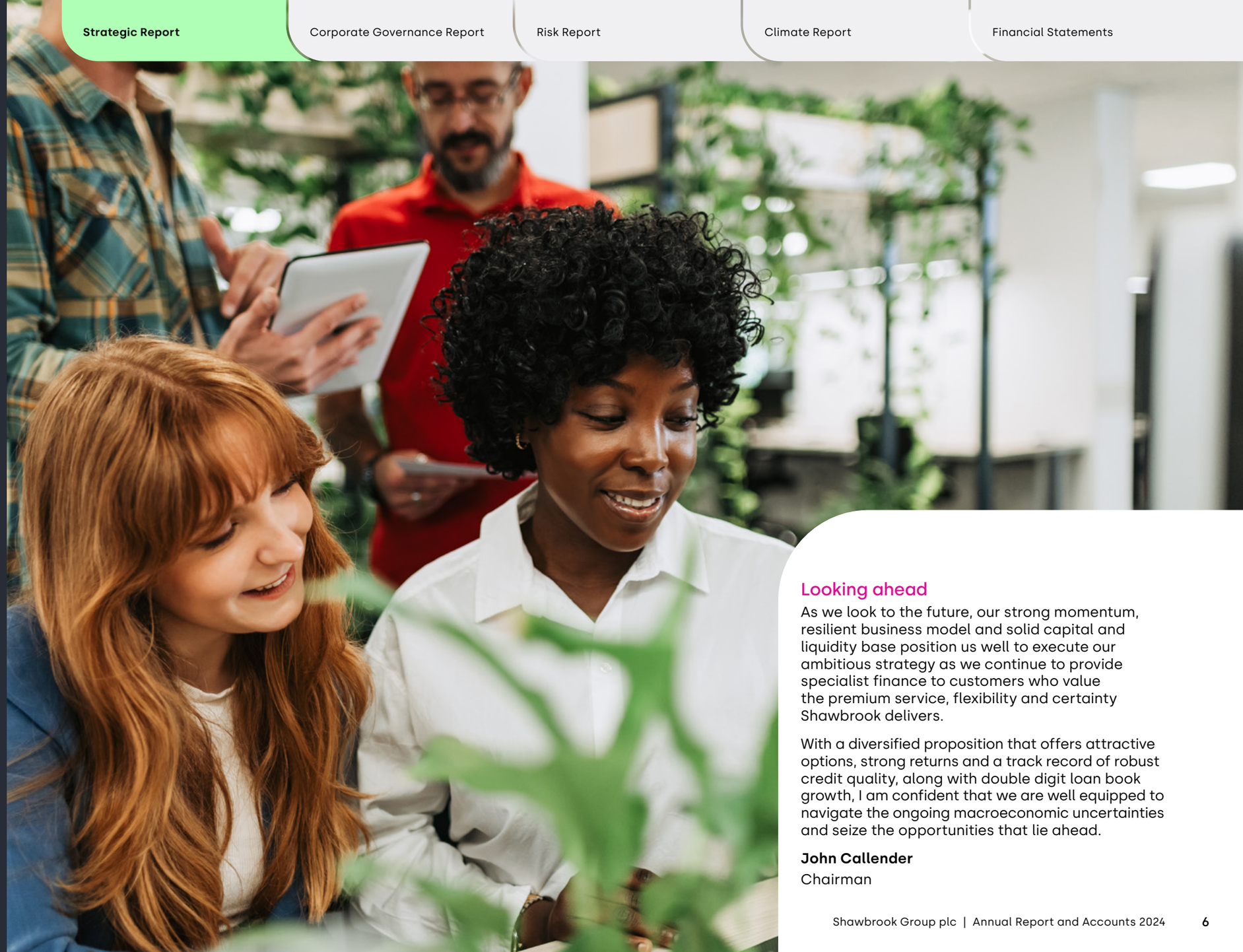
Advancing our sustainability agenda

We have continued to make good progress across our sustainability agenda, embedding our approach to sustainability into our day-to-day business activities. We continue to adopt a proportionate approach to climate change, making further progress towards delivery of our strategic goals, which you can read more about in our Climate Report starting on page 154. Our move to upgraded London premises in November also demonstrates our commitment to reducing our environmental impact and prioritising employee wellbeing.

I personally continue to champion our community and giving strategy and am proud of our combined efforts and the impact we have made through initiatives such as the Empower Her and Go Forward programmes which we support through our partnership with Saracens Foundation. You can read more about these initiatives in our Sustainability Report on page 38.

Creating value for our stakeholders

Engaging openly and transparently with our stakeholders remains key. Throughout 2024, we actively sought their valuable insights to ensure their needs continued to shape our strategy and decisions. More details can be found in our Section 172 statement starting on page 45.



Looking ahead

As we look to the future, our strong momentum, resilient business model and solid capital and liquidity base position us well to execute our ambitious strategy as we continue to provide specialist finance to customers who value the premium service, flexibility and certainty Shawbrook delivers.

With a diversified proposition that offers attractive options, strong returns and a track record of robust credit quality, along with double digit loan book growth, I am confident that we are well equipped to navigate the ongoing macroeconomic uncertainties and seize the opportunities that lie ahead.

John Callender
Chairman

Chief Executive Officer's statement

"Economic, political and market instability have increasingly become the norm. Shawbrook is well-equipped to navigate volatility, consistently providing specialist finance to individuals and businesses across the UK who value the premium service, flexibility and certainty we deliver."

Marcelino Castrillo
Chief Executive Officer



Delivering on our ambitious strategy

In 2024, we continued to invest in technology, talent and our proven specialist proposition. This commitment to our strategy, combined with our ability to execute quickly and at scale, gave us the platform to continue to grow our business throughout the year.

During 2024, we delivered strong franchise growth of 16%[1], achieving an underlying profit before tax of £294 million and an underlying return on tangible equity of 16.7% (£295 million and 16.8% respectively on a statutory basis). I am particularly pleased with the financial performance we delivered during H2 2024, achieving an underlying return on tangible equity of 18.5% for the second half of the year, giving us strong momentum as we enter 2025.

Underpinning our strategy is our 'best of both' model, which combines exceptional talent and deep market expertise with a scalable and adaptive technology infrastructure. This combination ensures we remain lean, focused and agile as an organisation, whilst also creating the capacity we need to meet growing customer demand.

Momentum and scale: our exceptional customer franchise

The diversification of our customer propositions across a range of carefully selected markets is a key differentiator, giving us the ability to direct capital efficiently to optimise growth and returns. Our expertise in the SME market, combined with the strength and scale of our specialist mortgage businesses, gives us access to a large and specific total addressable market of c.£290 billion[2]

During the year we launched our consolidated Retail and Commercial franchise structure. Our Retail franchise, led by Miguel Sard who joined the Group in September 2024, brings together our Savings, Consumer Finance and Retail Mortgage Brands. This gives us the ability to leverage a greater pool of data, talent and insight, as well as a significant technology-enabled distribution engine. Our organisational model enables us to deliver a wide range of products through multiple brands and channels from within a single franchise. For example, the seamless integration of JBR demonstrates our ability to expand into new markets efficiently.

Equally, our Commercial franchise, led by Neil Rudge, remains well diversified across SME and Real Estate markets into which we deliver a highly specialist lending proposition through both direct and intermediated channels. This approach is allowing us to extend our proposition into adjacent market segments. The application of the bespoke structuring capabilities we have in SME into the Real Estate sector, for example, is enabling us to attract and execute a rapidly growing number of larger and complex property transactions.

1 The growth rate of 16% represents the loan book growing to £15.9 billion when adjusted to add back in the structured asset sales with a carrying amount of c.£0.7 billion. Excluding the structured asset sales, the loan book was £15.2 billion and represented a growth rate of 14%.

2 Based on analysis performed by a leading consulting firm and shown on a stock basis as at FY 2024.

Staying ahead of customer needs: leveraging our innovative mindset

Attracting and retaining exceptional talent remains a strategic priority and is core to our 'best of both' model. A culture of collaboration and innovation enables us to stay ahead of our customers' needs and drives continued development across our business.

In 2024, we made further significant enhancements to our technology and engineering capabilities. The number of production releases increased by over 60%[1], delivering meaningful benefits to both customers and colleagues. This supported the continuous enhancement of multiple proprietary platforms and services including our Broker and Lending Hub in Real Estate and auto decisioning in Digital SME.

This innovation is also evident in our Savings business, with c.270,000[2] customers now actively using and benefitting from our new Digital Savings platform. By developing our own code and engineering a microservices-based infrastructure, we have total control over our savings proposition: end-to-end. This enables a seamless customer experience, from data-driven digital marketing to a friction-free onboarding journey and intuitive account management – all supported by expert human assistance when needed.

The successful deployment of these technologies is down to the expertise of our people and the strength of our digital culture. As such, we continue to attract and retain top talent in technology and banking, with 19% of our total headcount now dedicated to digital. By fostering a culture of innovation, we are focused on building and owning our own technology stack, ensuring we can maintain full autonomy and the ability to tailor solutions to our customers' needs.

Discipline: maintaining our robust and sustainable platform

While we have continued to grow, our business has remained resilient, with cost of risk for the year reducing to 47bps (2023: 51bps). This is underpinned by our prudent approach to underwriting and proactive portfolio monitoring capabilities, with proprietary digital solutions giving us the visibility needed to make agile, data-driven decisions.

During 2024, we continued to effectively minimise risk of credit loss by proactively working with our customers as part of our forward-looking risk management approach. This included leveraging advanced portfolio monitoring within our SME business, giving us early warning of potential financial distress up to four months in advance.[3] Our cloud-based contact-centre technology also serves to automate customer sentiment analysis, with AI-driven insights helping us to proactively identify potentially vulnerable customers.

Despite substantial investment in digital and data to strengthen our customer propositions and drive long-term growth, we continue to benefit from a cost efficient model, with an underlying cost to income ratio of 40.8%. Excluding the full year cost base acquired with JBR, total costs in H2 2024 reduced compared to H1 2024, highlighting our continued focus on careful cost management.

In a competitive savings market, we also continued to manage the growth in our deposit book to £15.8 billion, supported by our ability to deliver exceptional customer experience at scale.



Looking ahead

Shawbrook's scale, track record of profitable growth and proven ability to execute, illustrate the success of our strategy and our tech-enabled, diversified platform. I believe that we are well-equipped to navigate ongoing macroeconomic uncertainty while continuing to provide specialist finance to customers who value the premium service, flexibility and certainty we deliver.

Across our markets, we see significant potential for organic growth, while remaining well positioned to pursue attractive inorganic opportunities as they arise. Our clear strategic focus and the capabilities we have built, combined with our innovative mindset and agility, give us multiple avenues to create further long-term value for the benefit of our customers, colleagues and Shareholder in 2025 and beyond.

Marcelino Castrillo
Chief Executive Officer

1 60% increase when comparing the number of production releases in 2023 to 2024.
2 As at March 2025.
3 Relating to our Digital SME business.

The unique digital capabilities we have built are a key enabler to our 'best of both' business model

Deliver and grow innovative propositions by leveraging flexible tech to target granular customer segments

Continued growth at low incremental cost

Diversified customer segments & larger share of market

Our digital building blocks

- Innovative ways of working
- In-house tech talent
- Robust data capabilities
- Modular, composable banking architecture
- Resilient infrastructure

Scale our business at a low incremental cost with our digital operating model, talent and platforms

Attract and retain customers who value premium, flexible service supported by specialist talent and excellent digital experiences

Organic & inorganic growth opportunities

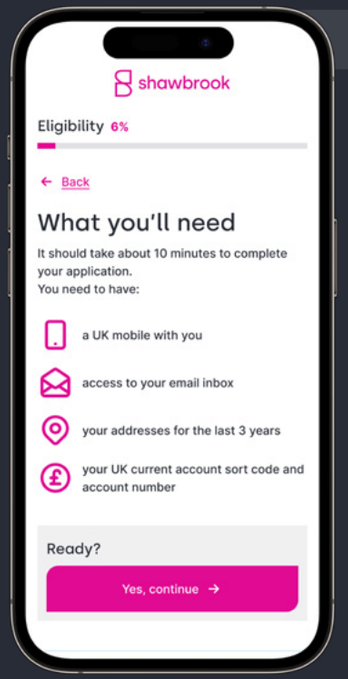
Greater amount of high-quality data & insights

Robust and forward-looking risk management to support underwriting in our specialist markets, while managing risk robustly

Digital Savings platform

In 2024 we launched our new proprietary Digital Savings platform.

Designed and developed by our in-house technology teams, the platform offers customers a premium, seamless and intuitive online banking experience.



Sleek interface for our customers

Streamlined, fast onboarding process with clear, succinct list of requirements

Robust authentication process including two factor authentication with minimal clicks and clear instructions

Self service capabilities to view options and extend maturity of products digitally

50%[1]
faster account opening time for customers

c.20%[2]
capacity increase in call centre colleagues to handle more complex queries over a 12-month period

"So easy to use. Great interface, easy to navigate, good security."
Shawbrook customer

Intuitive workflows for our colleagues

Smart, personalised messaging queues for faster queries

Central data hub for quick data access to enable prompt service

Automation of customer sentiment analysis to better identify vulnerable customers

1 50% faster when comparing the new digital journey to the old journey in June 2023.
2 20% decrease in average call handling time Q4 2023 to Q4 2024.

Financial review

"Throughout 2024, we experienced strong demand for our premium offering, with our focus on disciplined balance sheet growth and strategic technology investments driving expansion of our loan book by 16%[1] and deposit growth of 16%. We demonstrated strong cost efficiency, absorbing the acquisition of JBR and the full-year cost of the Bank of England levy, with our cost:APE efficiency ratio decreasing to 1.7%."

Dylan Minto
Chief Financial Officer



Our commitment to careful cost management remains strong, with costs reducing in the second half of the year excluding the full cost base acquired with JBR and the full-year cost of the Bank of England levy. This focus, alongside our ability to generate growth faster than costs is a consequence of our 'best of both' model, which augments the expertise of our people with technology, data and, increasingly, AI. The resilience of our platform is also underpinned by rigorous data-informed and forward-looking risk management, resulting in a reduction in cost of risk to 47bps. Our prudent approach to capital and liquidity management was further evidenced by the completion of two successful securitisations and the repayment of £0.4 billion of the Bank of England's TFSME drawings. In the second half of 2024 our financial performance improved, achieving an underlying return on tangible equity of 18.5% in H2. This, coupled with our emphasis on growth, efficiency and innovation, underpinned by prudent risk management and a robust capital and liquidity position, gives us strong momentum as we enter 2025.

Performance indicators

Definitions of all metrics included in the following tables are provided on page 247.

Financial performance metrics

In the year ended 31 December 2024, there are total underlying adjustments of £1.3 million (2023: (£15.4 million)) (see page 12). The following table is shown on both an underlying and statutory basis.

	Underlying			Statutory		
	2024 %	2023 %	Change %	**2024 %**	2023 %	Change %
Gross asset yield[2]	**9.8**	9.7	0.1	**9.8**	9.7	0.1
Liability yield	**(5.6)**	(4.8)	(0.8)	**(5.6)**	(4.8)	(0.8)
Net interest margin	**4.3**	4.9	(0.6)	**4.3**	4.9	(0.6)
Cost:APE efficiency ratio	**(1.7)**	(1.9)	0.2	**(1.7)**	(2.0)	0.3
Cost to income ratio	**40.8**	38.2	2.6	**40.6**	40.9	(0.3)
Cost of risk	**(0.47)**	(0.51)	0.04	**(0.47)**	(0.51)	0.04
Return on lending assets before tax	**2.1**	2.5	(0.4)	**2.1**	2.4	(0.3)
Return on tangible equity	**16.7**	20.2	(3.5)	**16.8**	19.1	(2.3)

1 The growth rate of 16% represents the loan book growing to £15.9 billion when adjusted to add back in the structured asset sales with a carrying amount of c.£0.7 billion. Excluding the structured asset sales, the loan book was £15.2 billion and represented a growth rate of 14%.

2 Including the £14 million gain on sale recognised upon derecognition of the £399 million structured asset sale in October 2024. Excluding this gross asset yield was 9.7%.

Financial position metrics

	2024 £m	2023 £m	Change %
Assets and liabilities			
Loan book	**15,206.4**	13,310.8	14.2
Average principal employed	**14,290.4**	11,854.4	20.5
Customer deposits	**15,804.0**	13,562.7	16.5
Wholesale funding	**1,925.3**	1,867.8	3.1
Liquidity			
Liquidity coverage ratio (%)	**176.0**	262.8	(86.8)
Capital and leverage[1]			
Common Equity Tier 1 capital ratio (%)	**13.0**	12.9	0.1
Total Tier 1 capital ratio (%)	**14.2**	14.3	(0.1)
Total capital ratio (%)	**15.9**	16.4	(0.5)
Leverage ratio (%)	**8.1**	8.2	(0.1)
Risk-weighted assets (£m)	**9,946.6**	8,701.3	14.3

Summary of statutory results for the period

	2024 £m	2023 £m	Change %
Operating income[2]	**1,405.9**	1,153.8	21.8
Interest expense and similar charges	**(796.1)**	(567.3)	40.3
Net operating income	**609.8**	586.5	4.0
Administrative expenses	**(252.8)**	(226.6)	11.6
Impairment losses on financial instruments	**(67.2)**	(60.1)	11.8
Provisions	**5.3**	(13.1)	n/m
Total operating expenses	**(314.7)**	(299.8)	5.0
Statutory profit before tax	**295.1**	286.7	2.9
Tax	**(75.2)**	(74.6)	0.8
Statutory profit after tax	**219.9**	212.1	3.7

1 Capital and leverage metrics are shown on a transitional basis after applying IFRS 9 transitional arrangements. A comparison of the Group's reported capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis) is provided on page 143.

2 Includes interest income calculated using the effective interest rate method, other interest and similar income, net operating lease income, net fee and commission income, net gains on derecognition of financial assets measured at amortised cost, net gains/(losses) on derivative financial instruments and hedge accounting and net other operating income/expense.

Reconciliation of underlying to statutory results

	2024 £m	2023 £m
Underlying profit before tax	**293.8**	302.1
Underlying adjustments		
Corporate activity costs	**(4.0)**	(4.0)
Timeshare provision charge	**5.3**	(11.4)
Total underlying adjustments	**1.3**	(15.4)
Statutory profit before tax	**295.1**	286.7

The following adjustments have been excluded from the underlying results:

- **Corporate activity costs:** represents costs incurred in 2024 primarily relating to the acquisition of JBR (2023: primarily costs relating to the acquisition of BML) (see Note 10 of the Financial Statements).
- **Timeshare provision recovery/charge:** represents the provision charge recognised in 2023 (£11.4 million), and subsequent reimbursement asset of £5.3 million (2023: £nil million) on a subset of complaints from customers about holiday ownership (Timeshare) products (see Note 34 of the Financial Statements).

Additional reconciliation from underlying to statutory results is provided in Note 11 of the Financial Statements on page 204.

H1 and H2 2024 performance

The following tables show a selection of our FY 24 financials split between H1 and H2 to provide additional detail on the Group's underlying performance in two halves:

	H2 2024 £m	H1 2024 £m	Change %
Net operating income	**319.3**	290.5	9.9
Administrative expenses	**(127.6)**	(125.2)	1.9
Of which: Administrative expenses excluding JBR costs and Bank of England Levy	***(122.4)***	*(125.2)*	*(2.2)*
Impairment losses on financial instruments	**(23.4)**	(43.8)	(46.6)
Provisions	**(0.3)**	5.6	n/m
Total operating expenses	**(151.3)**	(163.4)	(7.4)
Statutory profit before tax	**168.0**	127.1	32.2
Total underlying adjustments	**1.3**	(2.6)	n/m
Underlying profit before tax	**169.3**	124.5	36.0

	Underlying/Statutory		
	H2 2024 %	H1 2024 %	Change %
Gross yield	**9.6**[1]	10.0	(0.4)
Liability yield	**(5.4)**	(5.8)	0.4
Net interest margin	**4.3**	4.2	0.1
Cost:APE efficiency ratio	**(1.7)/(1.7)**	(1.8)/(1.7)	0.1/-
Cost of risk	**(0.31)**	(0.64)	0.3
Return on tangible equity	**18.5/18.3**	14.5/14.8	4.0/3.5

1 Including the £14 million gain on sale recognised upon derecognition of the £399 million structured asset sale in October 2024. Excluding this gross asset yield was 9.4%.

Expanding market share and digital innovation supporting strong growth against a challenging economic environment

During the period, net operating income increased to £609.8 million (2023: £586.5 million), reflecting loan book growth of £1.9 billion to £15.2 billion, driven by strong net lending volumes across our specialist Commercial and Retail markets.

Our interest rate hedge relationships and asset repricing supported an increase in gross asset yield as the Bank of England base rate peaked and was held at 5.25% until August 2024. However, as expected, overall funding costs increased, reflecting growth in customer deposits and the lag in deposit repricing across the market.

Consequently, net interest margin decreased in line with expectations to 4.3% (2023: 4.9%), with the increase in gross asset yield to 9.8%[1] (2023: 9.7%) being offset by an increase in liability yield to 5.6% (2023: 4.8%). As the Bank of England base rate reduced in the second half of the year we rapidly repriced to respond to market dynamics, supporting an increase in our profitability, with our underlying return on tangible equity increasing from 14.5% in H1 2024 to 18.5% in H2 2024, providing us with a blended 16.7% for FY 2024. (2023: 20.2%).

The underlying profit before tax for the period was £293.8 million (2023: £302.1 million) with an increase in net operating income of £23.3 million, underlying expenses of £248.8 million (2023: £222.6 million) and impairment losses of £67.2 million (2023: £60.1 million). Statutory profit before tax increased by 2.9% to £295.1 million (2023: £286.7 million), reflecting total underlying adjustments of £1.3 million (2023: £15.4 million). These adjustments included a reimbursement asset of £5.3 million on a subset of historical Timeshare loans, where we have commenced work to pursue insurance recoveries regarding Timeshare provisions recognised in prior periods in accordance with IAS 37. This was partially offset by corporate activity costs of £4.0 million (2023: £4.0 million).

Efficiencies realised as we build scale, with cost increases driven by acquisition opportunities and the full year impact of the Bank of England levy

Strategic investment in digital and data to enhance our customer propositions, improve operational efficiencies and support sustained long-term growth continues to be a strategic priority. The increase in underlying administrative expenses was driven by acquisition-related costs, including 12 months of BML operating costs and three months of operating costs from the acquisition of JBR. Excluding JBR and the Bank of England levy related-costs, total costs reduced in the second half of the year compared to the first half, highlighting our focus on cost management. The full year impact of the Bank of England levy and higher headcount costs, resulting from strategic talent acquisition, also contributed to this uplift. Despite these investments, the underlying cost:APE efficiency ratio improved to 1.7% (2023: 1.9%).

Proven through-the-cycle resilience demonstrated by robust credit quality, supported by our data-driven approach to risk management

In the current macroeconomic environment, careful and robust management of our loan book remains a core focus. Following a review of the economic scenario weightings in our impairment models, we retained the weightings applied as of 31 December 2023. Downside risk scenarios (including both downside and severe downside scenarios) continue to represent 40% probability, reflecting our prudent approach to potential economic uncertainties.

Credit metrics continue to sit comfortably within risk appetite, with cost of risk decreasing to 47bps (2023: 51bps), of which 24bps represented loan write-offs (net of recoveries). We have refined the way we report our arrears metric to align more closely to the wider market, specifically several comparable peers. The revised arrears metric now includes all accounts greater than three contractual payments down at month end and excludes term expired loans. Under this new methodology, the arrears ratio was 1.7% (2023: 1.4%). On the previous basis (loans equal to or greater than two payments in arrears and including all term expired) our arrears ratio was 3.2% (2023: 2.3%). The uplift in arrears, under the old methodology, was largely driven by term expired accounts in our SME book. Excluding those accounts, the arrears ratio was 2.6%.

Since 2017, five-year fixed products have been the dominant term across our Real Estate offering. As interest rates have increased, customers coming to the end of their initial fixed-rate are often faced with higher rates and want choice of options. In addition to our existing product transfer solution within our Retail Mortgage Brands, in July 2024 we introduced our Shawbrook Real Estate Switch and Fix offering. By giving customers access to a more streamlined process to secure another fixed-rate during the life of their loan, this supports our customer retention strategy. As a result, the majority of our Shawbrook Real Estate customers whose fixed rate expired during the year remained with us on either a variable-rate or new fixed-rate products available on 2,3,5 or 10 year fixes.

1 Including the £14 million gain on sale recognised upon derecognition of the £399 million structured asset sale in October 2024. Excluding this gross asset yield was 9.7%.

Conservative capital management and funding diversification providing attractive options for future growth

Our Common Equity Tier 1 ratio strengthened to 13.0% (31 December 2023: 12.9%), reflecting the Group's continued ability to retain earnings at pace, exceeding the growth rate of risk-weighted assets, which increased by 14.3% over the period, highlighting the resilience of our core capital position. The total capital ratio was 15.9% (31 December 2023: 16.4%). Importantly, we maintain significant headroom within our hybrid capital stack, providing flexibility to optimise our capital structure further when appropriate.

Total risk-weighted assets were £9.9 billion, representing 65% of the loan book (31 December 2023: 65%).

During January 2025 we received the outcome from the 2024 capital review process ('C-REP') undertaken by the PRA, which saw the Group's Pillar 2A requirement increase to 1.24% (previously 1.07%). The Group's minimum CET1 requirement has therefore increased to 9.70% and the total capital requirement to 13.74%[1]. With total regulatory capital of £1,580 million, we remain comfortably above regulatory requirements and well capitalised to support our customers and deliver on our strategic priorities. We continue to review the recommendations set out in Basel 3.1 which will now be implemented in January 2027. While some aspects still require clarification ahead of implementation, we believe we are well positioned to absorb the anticipated impact to regulatory capital.

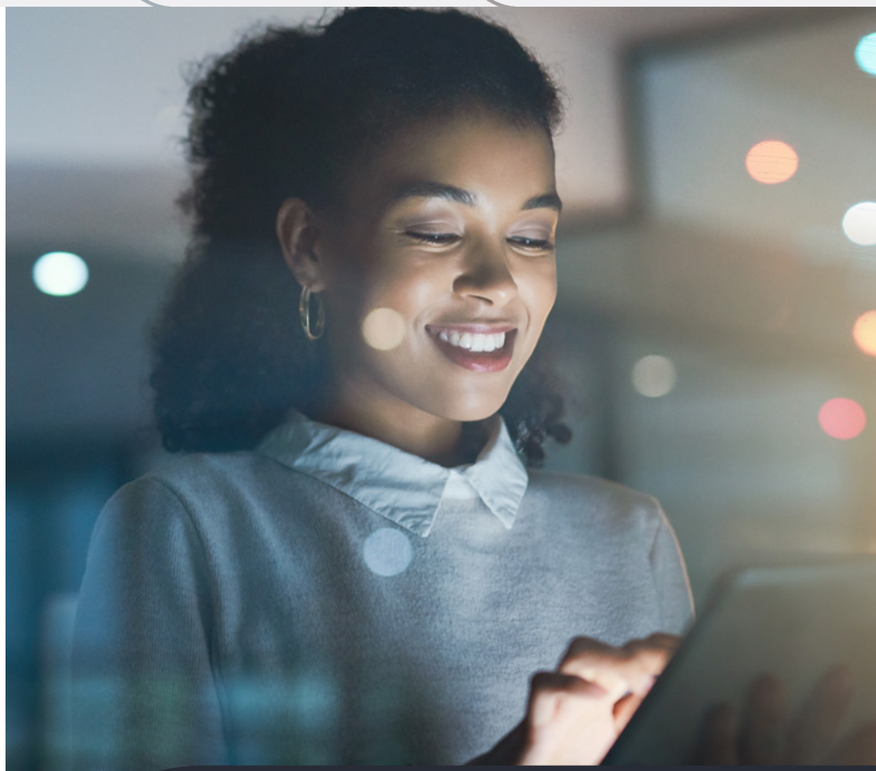
With our £75 million public Tier 2 instrument eligible for call in July 2025, we are exploring our strategic options to manage this effectively.

Though not required to comply with the PRA Leverage Ratio Framework, the Group maintains prudent levels of leverage, with a leverage ratio of 8.1% (31 December 2023: 8.2%), significantly above the minimum requirement of 3.25%.

Our balance sheet remains predominantly funded by retail and SME deposits, with our growth supported by a stable deposit base of £15.8 billion (2023: £13.6 billion). Beyond digitalising our Savings platform to enhance the customer journey, we also expanded our portfolio of digital savings partnerships during the year, further diversifying our funding streams by efficiently accessing a larger pool of prospective target customers.

Our wholesale funding consists primarily of the Bank of England's TFSME programme, which we are repaying, having reduced the balance by £0.4 billion during the year to £0.8 billion as at 31 December 2024. We successfully completed two further securitisations, totalling £1.0 billion of property assets, demonstrating our ability to access debt capital markets for multiple purposes. One of the securitisations was used for funding, with the A notes partially sold and retained for use in repo or Bank of England schemes, while the other formed part of our Retail Mortgage Brands' originate to distribute strategy, providing capital optimisation benefits. The latter generated a £14 million gain on sale at derecognition, which enhanced the Group's profitability.

We maintained our prudent liquidity position with the 12-month average liquidity coverage ratio (LCR) at 265% (2023: 311%), comfortably above the regulatory minimum. The reduction in 2024 was primarily driven by an update to our retail customer deposit stressed outflow assumptions, with certain retail deposits updated to be classified as internet access-only deposits, reflecting the Group's digitalisation strategy supported by the features of our new Digital Savings platform. While we continue to carry a significant volume of actual and contingent liabilities, we have proactively reconstituted our liquidity pool to reflect Bank of England eligible collateral. This high quality collateral can be quickly and easily converted into cash if required, enhancing our operational flexibility, though it is not treated as High Quality Liquid Assets under the LCR regime.



Outlook

As we navigate the evolving macroeconomic landscape, our data-driven approach is enabling us to adapt to meet evolving customer needs. Our robust track record of sustained profitability gives us the confidence to fuel re-investment in our business, helping us to keep ahead of market trends. With a focus on growth, efficiency and innovation, underpinned by prudent risk management and a strong capital and liquidity position, we are well-positioned to achieve our strategic goals.

Dylan Minto
Chief Financial Officer

1 The Group's minimum total capital requirement includes the Capital Conservation Buffer ('CCoB') of 2.50% and the Countercyclical Buffer ('CCyB') of 2.00% but excludes any applicable PRA buffer.

Business review

Our Commercial franchise

Our Commercial franchise brings together our SME and Shawbrook Real Estate lending propositions to enable UK businesses and experienced professional property investors to seize growth opportunities and finance key events.

With a relationship-led approach, deep market expertise and a blend of innovative technology and human talent, we deliver tailored financial solutions that meet the unique and often complex needs of our clients to support their long-term success.

"Our Commercial franchise provides specialist financial solutions to support our clients' growth, whether that's to provide flexible working capital or to fund key strategic milestones. Built on a deep understanding of the markets we operate in and the unique needs of the businesses and property investors we work with, we aim to deliver an unrivalled breadth of facilities and structuring capabilities, combined with the flexibility and agility that makes such a difference in the moments that matter."



Neil Rudge
Chief Banking Officer, Commercial



Business review
Commercial franchise

SME markets

Our SME proposition supports ambitious growth-focused and established businesses with a targeted range of solutions to meet their specific and often complex funding needs. We operate across a diverse range of large, established and growing UK SME markets that we know well – each offering strong business flows today and attractive growth potential for tomorrow. SMEs in the markets and segments we serve value the highly bespoke structuring capabilities and relationship-led service we offer.



Our markets and customers

Structured lending

Financial sponsors:

- **Unitranche,** event-driven finance targeting the sponsor market to fund investment in established SMEs.
- **Annual recurring revenue finance** provides specialist debt finance to near-profit, sponsor-backed SMEs generating reliable, contracted revenues.

Speciality finance:

- **Wholesale finance and block discounting** provide committed and uncommitted lending to UK non-bank specialist lenders.
- **Debt fund finance** offers net asset value lending to specialist debt funds.

Corporate leverage:

- **Commercial loans** offer senior debt term loans and revolving credit facilities targeting typically owner managed SMEs to support acquisitions, refinancing, management buy-outs and other strategic events.
- **Healthcare finance** provides a range of funding options to both public and private regulated healthcare providers.

Asset based lending:

- **Asset based lending** leverages hard and paper assets to provide funding to SMEs, supporting needs including working capital, strategic investment and acquisition.

Development finance:

- **Development finance** provides funding solutions to experienced property developers for the build or refurbishment of residential, semi-commercial and commercial property assets for sale or hold.

Digital SME lending

Provides technology-enabled finance solutions to fast-growth SMEs in the form of term lending products. Our proposition leverages digital to deliver automated and fast decisioning in a market where speed is essential.

Why customers choose us

- **Deep and extensive market experience:** customers value our lending expertise and insights.
- **Broad range of funding solutions to support multiple stages of customer growth:** underpinned by deep knowledge of the underlying asset classes.
- **Expert-led structuring and portfolio management teams:** combining 'always on' oversight with early and extensive support.
- **Broad introducer network:** strong relationships with a broad network of specialist advisers, introducers and brokers.
- **Digital application and fulfilment experience:** fast credit decisioning enabling slick customer journeys through our Digital SME offering.

Business review
Commercial franchise

2024 SME achievements

We have built the foundations for scalable long-term growth, with a series of innovations and investments.

Exceptional customer franchise	✓Further streamlined our Digital SME customer journey providing same day payouts[1], and increased the maximum size of our term loan product to £250,000, enabling us to widen our reach and serve more customers at speed. ✓Further strengthened relationships with existing customers and sponsors, delivering 35%[2] growth in repeat business and follow-on lending. ✓Extended our short-term loan proposition to support a broader range of property developers using development exit financing to enable new development schemes.
Innovative mindset driving growth and performance	✓Invested in our front-line origination talent to deepen our expertise and origination capacity, helping us to broaden our reach in key markets that are well-served by our core specialist capabilities. ✓Repositioned our former Corporate lending business (now Corporate leverage and Asset based lending) to focus on the individual product specialisms, and increased our market expertise with key leadership hires. ✓Continued to explore the use of AI to streamline internal processes, resulting in the launch of a new Colleague Assistant tool in January 2025 aimed at improving operations through providing quick Q&A to our operating procedures.
Robust and sustainable platform	✓In February 2025, we introduced a new direct channel from which to distribute term lending products, with Digital SME customers now able to apply for a product digitally through the Shawbrook website. ✓Increased the maximum facility size across a number of our Structured lending products, enabling us to pursue larger opportunities and support our clients further into their growth journey. ✓Upgraded our Asset based lending servicing system, investing in cloud-based technologies to increase the scale, stability and resilience of our platform. ✓In February 2025 we launched the first phase of a new credit management platform, supporting a number of our Structured lending propositions to drive process efficiencies.



Looking ahead

We continue to benefit from the momentum we built in 2024, with demand for our specialist SME proposition driving new business pipelines to record levels. To support our planned growth levels, we continue to invest in technology across the franchise to help deliver improved customer and colleague experiences. Longer-term, the fundamentals of our markets remain strong, and we remain well placed to support growing numbers of SMEs in achieving their growth ambitions.

1 Where all information is received by midday.
2 35% increase in the value of new and extended facilities provided to existing customers in 2024 compared to 2023.

Business review
Commercial franchise

Real Estate markets

Our Real Estate proposition supports professional property investors and experienced landlords with funding to grow and sustain their successful property businesses. We offer a range of residential, commercial and short-term loan products through our specialist broker network that is deeply embedded within our customer markets. Our established and extensive distribution, alongside our experienced underwriting teams, enable us to originate a wide range of loan sizes and asset types at scale. Our digital capabilities continue to provide fast and consistent initial decisions while helping to streamline underwriting processes, giving us a competitive advantage in a market where customers value speed and agility.



Our markets and customers

Buy-to-let

Loan products for professional property investors and experienced landlords often already operating at scale with high value portfolios or with the ambition to grow. Our products are primarily distributed through specialist brokers, leveraging our deep expertise to meet the more complex needs and expectations of the professional borrowers we serve.

Commercial mortgages

Commercial investment loan products for professional property investors growing their portfolios of semi-commercial and commercial properties with an average property value of c.£1 million. Our customers are experienced investors seasoned in commercial property; developers retaining larger schemes for rental; or buy-to-let landlords seeking to diversify their portfolios. We work with investors to help them grow their businesses, whilst building a diverse book of assets.

Bridging

Short-term loan products for professional property investors and landlords looking to swiftly acquire a property to increase its value or rental yield through refurbishment or conversion. Our offering caters to residential, commercial and semi-commercial properties. Our customers often retain completed properties for rental, and we offer incremental value to them by being able to refinance them to a long-term mortgage once works are complete, avoiding the need to find a second lending partner.

Why customers choose us

- **Deep market expertise:** helping us to understand and effectively manage risk at origination and throughout the loan life.
- **Bespoke range of solutions:** designed to meet the more sophisticated needs of professional investors. As their businesses grow, investors can move across our breadth of products, helping to grow repeat customer relationships for the long-term.
- **Advanced digital and data capabilities:** enables efficient delivery reducing application to completion times for customers, while using data to improve our decisions and make us both easier and quicker to do business with.
- **Specialist credit underwriting:** we leverage deep expertise for manual decisions on more complex cases.
- **Extensive intermediary network:** strong and long-standing relationships with broad range of key intermediaries.

Business review
Commercial franchise

2024 Real Estate achievements

We continue to evolve and enhance our proposition to build upon our established position of strength in a mature specialist mortgage market.

Exceptional customer franchise

- ✓ Launched our Structured Real Estate proposition, offering a more bespoke, relationship-led service proposition to professional landlords seeking financing for larger and more complex transactions up to £35 million.
- ✓ Introduced our Switch and Fix offering, providing customers a streamlined process to secure a new fixed rate during the life of their loan. This supports our customer retention strategy, encouraging more customers to remain with Shawbrook.

Innovative mindset driving growth and performance

- ✓ Scaled our Lending Hub origination platform, cutting time to formal offer by up to 29%[1], while supporting 12%[2] higher customer conversion for digital buy-to-let cases.
- ✓ Implemented the PEXA Create workspace API, allowing us to lodge land registry documents and financial settlements electronically, speeding up processing to enhance the broker and customer experience.

Robust and sustainable platform

- ✓ Developed our Real Estate portfolio management function, introducing a hybrid model that utilises a comprehensive suite of credit data alongside talent to manage credit risk across the full portfolio while helping to pro-actively identify high value growth customers likely to require future funding.
- ✓ Continued to make incremental proposition improvements to help maximise opportunity, manage risk and deliver good customer outcomes. These include returning maximum loan-to-value products for retail properties having carefully monitored the market over the year and expanded our semi-commercial loan products to new market entrants.



Looking ahead

Looking ahead to 2025, we anticipate continued growth in our Real Estate markets, underpinned by strong fundamentals (notably, robust levels of employment) and the structural shortage of private rental properties. We will continue to offer more choice to professional landlords as they continue to evolve their own business models to meet strong tenant demand, strengthening and retaining those relationships for longer.

1 In 2024, digital buy-to-let cases processed via Lending Hub reached formal 29% faster than those processed on legacy platform.
2 Digital buy-to-let 2024 conversion rate was 75% on Lending Hub vs 66% processed on legacy platform.

Business review
Commercial franchise

Real Estate platform

In 2024 we continued to scale our proprietary Real Estate platform.

Investing in technology to provide brokers with speed, convenience and certainty, giving us a competitive edge.



Fast and convenient

Intuitive application flow and automated customer and property decisioning helping to limit manual inputs and reduce inaccuracies, while offering streamlined digital refinancing journeys.

Simple and transparent

Self-service capabilities with a simple and easy to navigate interface.

Expert underwriting where it matters

Personalised broker support and automated decisioning of simpler cases, optimising colleague capacity to unwrite more complex cases.

100%

Automated population of credit-related data fields for Ltd Co applications[1]

83%

Broker satisfaction score when onboarded to MyShawbrook real estate platform[2]

25%

Uplift in capacity meaning we can handle more volume[3]

"37 working hours from application to completion for a buy-to-let is outstanding! Especially for a new customer. Shawbrook continues to set the pace, blending technology and a stellar underwriting team for a winning combination."

Shawbrook broker partner

1 Except where deliberate user confirmation is introduced to ensure data accuracy and broker engagement.
2 Broker satisfaction score during onboarding as at January 2025.
3 25% uplift in capacity per FTE in 2021-2024 (after we introduced our Real Estate platform) vs 2018-2020 (before).

Business review

Our Retail franchise

Our Retail franchise offers a comprehensive range of services, including retail mortgages that provide real-life lending solutions for those underserved by high-street banks; motor finance that differentiates itself in a commoditised market; and a savings proposition that fuels our lending with a diversified range of great products and an exceptional digitally-led service.

Our approach is rooted in delivering an intuitive, personalised service while leveraging data and technology to provide product and pricing agility. We are focused on building long-term customer relationships by supporting their needs today and anticipating their aspirations for tomorrow. Driven by deep customer insight, every interaction is crafted to be relevant, meaningful and seamless, fostering trust at every touch point.

"Our Retail franchise is designed around our customers. By combining powerful insights with innovative technology, we deliver tailored financial solutions that meet our customers' needs today and tomorrow. We are building a digital consumer bank that will reinforce trust and strengthen life-long relationships with our customers."



Miguel Sard
Chief Banking Officer, Retail



Business review
Retail franchise

Retail Mortgage Brands

Our Retail Mortgage Brands, TML and BML, provide owner-occupied and buy-to-let mortgages to individuals and property professionals across the UK, distributed through a large and established network of intermediaries. Our multi-brand proposition complements our core Shawbrook Real Estate offering and enables us to serve the needs of a wide spectrum of customers, including those with complex income and credit profiles.



Our markets and customers

Buy-to-let

The Mortgage Lender – real life lending
Powered by shawbrook

Provides buy-to-let mortgages to support retail landlords seeking cost-effective, efficient mortgage solutions.

Owner-occupied mortgages

The Mortgage Lender – real life lending | Bluestone. mortgages
Powered by shawbrook

Provides owner-occupied mortgages to support customers either looking to purchase their first property, move home or remortgage. Our customers include the self-employed, those with complex income and credit profiles, as well as those with historical financial challenges.

Why customers choose us

- **Data-led decisioning, combined with expert human underwriting:** allows us to understand the customers situation without sacrificing speed.
- **Extensive nationwide intermediary network:** deep relationships and solid credibility, managed through data-driven customer relationship management (CRM) capabilities.
- **Digital-led business model:** supports agile pricing and proposition changes.
- **Inclusive eligibility criteria:** comprehensive offering to cater for the underserved needs of those with complex income and credit profiles.

Business review
Retail franchise

2024 Retail Mortgage Brands achievements

We have brought our Retail Mortgage Brands together in order to leverage a greater pool of data, technology and talent to further consolidate and strengthen our position in the specialist mortgage market.

	TML	BML
Exceptional customer franchise	✓Continued to enhance our product transfer solution to support customers who are either on a reversion rate or approaching the end of their fixed rate period, with customer conversion rates of c.35%[1].	
	✓Diversified our product offering to expand into the shared ownership and the owner-occupied interest only large loan markets, helping to close gaps in the market and support customers with our real-life lending approach. ✓Enhanced our digital CRM journeys to provide enhanced point of sale support to our mortgage intermediaries.	✓Enhanced the broker experience by introducing tools including a digital affordability calculator on our website, allowing brokers to easily understand how much their customer can borrow.
Innovative mindset driving growth and performance	✓Further integrated our Retail Mortgage Brands by uniting teams and migrating BML servicing operations onto TML's servicing platform, leveraging synergies to help increase operational efficiencies. ✓Enhanced our broker onboarding process, using technology to strengthen controls and boost efficiency by automating manual tasks.	
Robust and sustainable platform	✓Deployed cloud contact-centre technology that uses AI to provide sentiment analysis to improve our customer experience and better identify potentially vulnerable customers.	
	✓Continued to support the climate transition by offering increased loan-to-value mortgages to support customers purchasing energy efficient homes. ✓Further expanded our distribution channels and joined a panel of key mortgage networks providing us access to an additional c.2,000 advisers.	✓Enhanced our origination platform by streamlining basic tasks, freeing up additional time for our people to focus on supporting our customers.

1 Average conversion rates between January 2024 and June 2024 across TML and BML.



Looking ahead

We anticipate sustained strong demand for our specialist offering, fuelled by the growing number of individuals facing challenges in accessing high-street lending due to complex income structures, such as the self-employed and those with multiple income sources. This dynamic presents valuable opportunities to drive financial inclusion and expand our proposition. Moving forward, we remain committed to enhancing our customer offering and exploring complementary products to ensure we stay ahead of evolving customer needs and expectations.

Business review
Retail franchise

Consumer Finance markets

Our specialist consumer finance proposition is targeted at UK consumers and micro business owners, offering a comprehensive range of lending products designed to meet their needs. We leverage our deep understanding of consumer markets and utilise data for specialist underwriting. Our strategy integrates a scalable distribution model, supported by strategic partnerships with leading dealers, brokers, and digital marketplaces.



Our markets and customers

Motor finance

JBR CAPITAL | FUND YOUR PASSION

Powered by shawbrook

- **JBR:** Provides access to the higher-end vehicle segment, with customers typically being high net worth individuals such as entrepreneurs with strong credit profiles.
- **Blue Motor Finance Limited (BMFL):** Through a platform lending facility with BMFL, we originate hire purchase agreements mostly in the used car market through their established distribution network and digital platform. Customers typically include UK homeowners and tenants seeking finance to purchase a used vehicle.

Unsecured personal lending

- Offers a simple and transparent unsecured lending proposition to UK consumers who are often underserved by the mainstream banks. Our fully digital and scalable distribution model enables us to adapt quickly to evolving customer needs and market conditions.

Why customers choose us

- **Combining data capabilities with human expertise:** our ability to integrate specialist data-driven credit assessments with human expertise supports strong underwriting standards.
- **Diverse digital distribution model:** Established multi-channel route to market, with an extensive network of relationships, as well as a strong direct proposition gives us access to a significant market.
- **Personalised service:** multiple customer touchpoints throughout the end-to-end customer journey encouraging a more bespoke service.
- **Automated processes and data strategies:** driving efficient and streamlined personal loan customer journeys.
- **Simple, transparent and digital-first personal loans proposition:** a market where simplicity and speed matters.

Business review
Retail franchise

2024 Consumer Finance achievements

We have created an adaptable, scalable technology platform. Our multi-channel distribution model includes a direct digital-first proposition, plus strong relationships and integrations with digital marketplaces and an extensive network of brokers and intermediaries.

Exceptional customer franchise	✓Completed the acquisition of JBR, a UK specialist motor finance lender focused on high-end vehicles. Our combined offering will help us to serve the needs of more customers who value a premium experience, flexibility and certainty when securing finance for their high-end vehicles. ✓Enhanced our unsecured personal loans data capture capabilities to improve the identification of vulnerable customers, helping us to offer a more personalised service tailored to their specific needs.
Innovative mindset driving growth and performance	✓Implemented new customer journeys across our personal loans proposition, creating a single cohesive experience supporting c.60% customer conversion.[1] ✓Fully integrated Open Banking into our personal loans customer onboarding journeys, enabling data-driven decisions. ✓Identified opportunities to utilise Open Banking data to reduce unnecessary outbound customer contact by c.30%[2], enabling our people to focus on higher value interactions and workstreams.
Robust and sustainable platform	✓Further enhanced our new unsecured personal loans digital decisioning tool and moved the full day-to-day management in-house, improving oversight and speed of change implementation. ✓Implemented new programming platform to interrogate data, leveraging machine-learning capabilities to deliver accelerated processing and efficient model development and deployment.



Looking ahead

Moving into 2025, our focus will be on expanding our presence within the motor finance market by re-establishing JBR's leading position in the high-end vehicle segment and continuing to support BMFL's growth through our platform lending facility. We will also continue to refine our unsecured personal loan proposition, making it simpler and faster for customers to access the finance they need by leveraging Open Banking and the continuous optimisation of the application and onboarding journey.

1 c.60% average customer conversion from December 2024 to March 2025 from landing page to signing page.
2 c.30% reduction from July 2024 to February 2025.

Business review
Retail franchise

Savings markets

Our Savings proposition supports our ability to build a loyal customer base by fostering trust-based relationships and delivering long-term value. Our offering is underpinned by a digital platform that leverages advanced data capabilities to provide a seamless service.



Our markets and customers

Savings

We offer a diverse range of savings products aimed at both consumers and businesses, including ISAs, easy access, notice and fixed term accounts. Our digital and scalable distribution model attracts customers who value the product range and customer service we offer.

Why customers choose us

- **Diverse range of products:** designed to meet a wide range of savings goals.
- **Extensive digital marketplace partnerships and distribution:** provides access to a larger potential market while diversifying funding.
- **Premium online banking experience:** offering easy account management, self-service options and flexibility.
- **Exceptional customer service:** providing personalised support that consistently receives positive feedback.

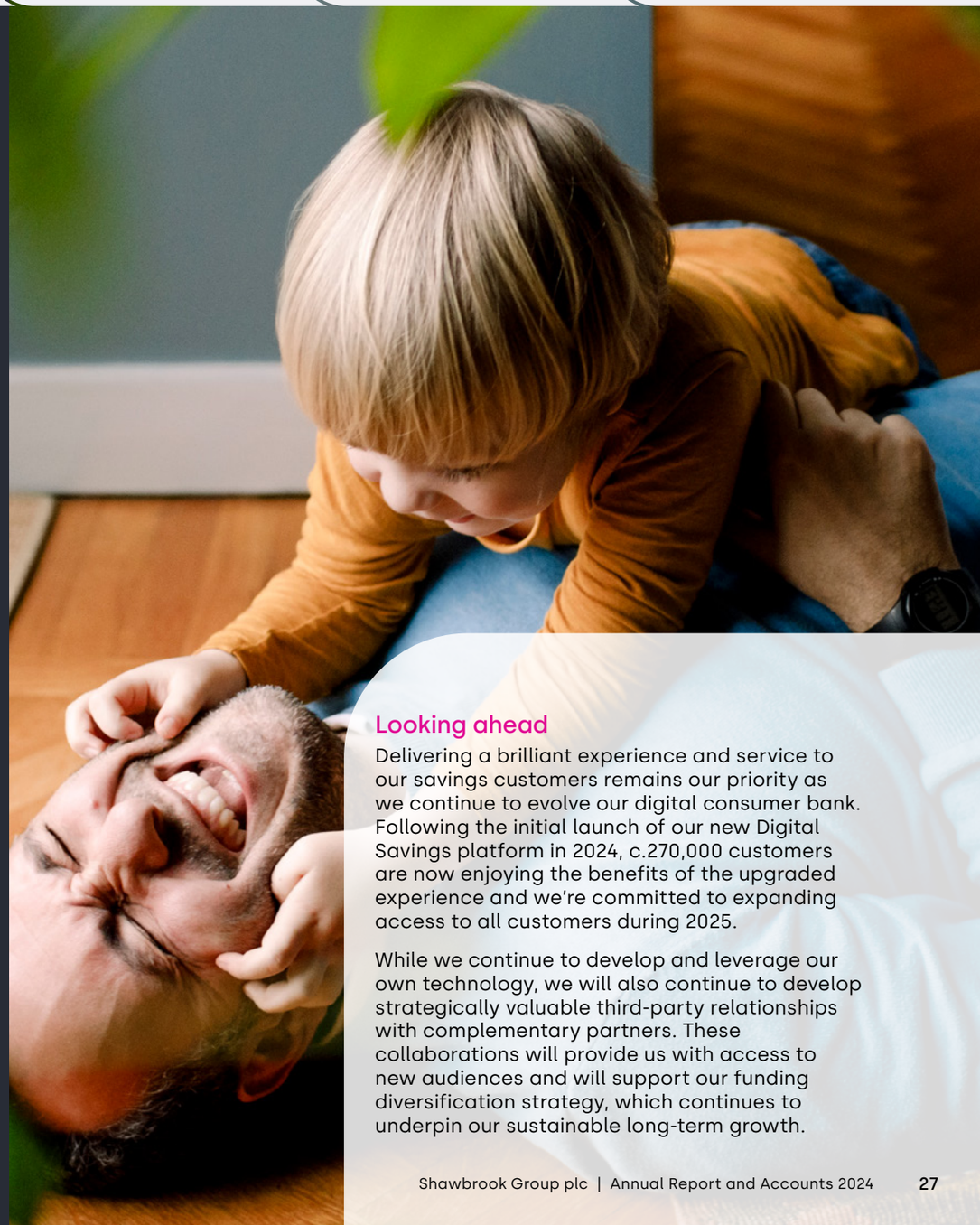
Business review
Retail franchise

2024 Savings achievements

Our new Digital Savings platform enables us to build on the strong foundations we have established with our customers, enhancing their experience through intuitive functionality driven by data-powered capabilities. Read more about the new features and experience on page 9.

Exceptional customer franchise	✓Launched our new Digital Savings platform, with c.270,000[1] savings customers now benefitting from the new enhanced self-service experience after being seamlessly upgraded. ✓Launched a new colleague platform, used by all savings customer services representatives. The new technology has enables us to release capacity by c.20%[2] for our call centre colleagues, freeing-up time to handle more complex customer queries. ✓Launched Confirmation of Payee, a fraud prevention measure designed to ensure the validity of inbound payments, helping to build customer confidence and support positive outcomes.
Innovative mindset driving growth and performance	✓Expanded our portfolio of savings partnerships, including a new collaboration with Hargreaves Lansdown, giving us access to a large new population of prospective customers and helping to diversify our funding streams. ✓Further enhanced our new digital journey for applying a maturity instruction, with c.83%[3] of customers choosing the digital channel to give their maturity instruction.
Robust and sustainable platform	✓Implemented AI powered technology, providing customer sentiment analysis to improve our customer experience and better identify potentially vulnerable customers. Since going live, the tool has resulted in a 3x reduction in case review time. ✓Migrated our Savings infrastructure to cloud-based technology, increasing platform resilience and stability.

1 As at March 2025.
2 Decrease in average call handling time Q4 2023 to Q4 2024.
3 As at February 2025.



Looking ahead

Delivering a brilliant experience and service to our savings customers remains our priority as we continue to evolve our digital consumer bank. Following the initial launch of our new Digital Savings platform in 2024, c.270,000 customers are now enjoying the benefits of the upgraded experience and we're committed to expanding access to all customers during 2025.

While we continue to develop and leverage our own technology, we will also continue to develop strategically valuable third-party relationships with complementary partners. These collaborations will provide us with access to new audiences and will support our funding diversification strategy, which continues to underpin our sustainable long-term growth.

Sustainability Report

Our sustainability strategy is integrated into our overall business strategy, prioritising those areas where we believe we can drive the greatest impact. By leveraging our expertise, we aim to create lasting value for our stakeholders while contributing positively to society and the wider environment.

Over the past year, we have continued to expand and enhance our specialist finance offerings, helping our customers achieve their goals. At the same time, we have strengthened our impact through increased investment in our people and community initiatives. This report outlines the progress we have made over the last 12 months and highlights key priorities for the future.



"The Board remains committed to embedding sustainability across our organisation and delivering a meaningful impact. We recognise our environmental and societal responsibilities while pursuing our wider business objectives. Our updated sustainability strategy – centred around planet, society and impact – demonstrates our dedication to adapting to an ever-changing landscape and ensuring the delivery of long-term sustainable value for all of our stakeholders."

John Callender
Chairman

Our sustainability strategy prioritises the areas in which we can drive the greatest impact

Our purpose

We provide finance to a wide range of customer segments that value the premium experience, flexibility and certainty we deliver

Our ambition is to grow our specialist proposition, while retaining the innovative mindset and agility of a start-up

Our strategic priorities

- **Exceptional customer franchise**
- **Innovative mindset driving growth and performance**
- **Robust and sustainable platform**

Sustainability strategy

Pillars	Priorities
Planet Protecting our planet for future generations	• Support the climate transition • Reduce our environmental impact • Embed environmental considerations into our corporate DNA
Society Supporting a thriving and inclusive society	• Support the UK economy through access to inclusive finance for homeowners, developers and SMEs • Build an inclusive, engaged and talented workforce • Embrace innovation for positive change
Impact Making an impact beyond finance	• Invest in and support our communities through partnerships and charitable donations • Support the passions and interests close to the hearts of our people

UN SDG Alignment



Underpinned by Responsible business practices

- Effective Board and Management structures
- Robust governance and risk management
- Transparent and accountable disclosures

Sustainability strategy: 2024 highlights and short-term focus

Planet
Protecting our planet for future generations

2024 highlights

- Supported customers with their climate transition through new and existing propositions, resulting in improvements to our energy performance certificate (EPC) mix across our owner-occupied and buy-to-let portfolios.
- Originated over £640 million of sustainable finance[1].
- Reduced emissions intensity of our Group Property Portfolios[2] financed emissions against our 2021 baseline.
- Reduced our Scope 1 (gas) and Scope 2 (electricity) emissions driven by improvements in the quality and coverage of data.
- Evolved our climate transition plans utilising the Transition Plan Taskforce framework.

Our short-term focus[3]

- Further reduce our climate impact by enhancing data quality, customer, colleague and supplier engagement and through existing and new products and propositions.
- Develop methodology and baseline to measure our emissions for our Motor and SME portfolios.
- Develop our approach to assessing nature-related risks and opportunities.

Society
Supporting a thriving and inclusive society

2024 highlights

- Provided over £340 million of socially-focused sustainable finance[1] including mortgages to first time buyers, those with complex incomes and the self-employed.
- Over 500 internal coaching and mentoring sessions delivered to support talent development.
- Embraced innovation to support customers, including the utilisation of AI to identify and support customers in vulnerable situations.

Our short-term focus[3]

- Continued development of our existing and future talent programmes and pipeline.
- Further improve diversity metrics across our focus areas.
- Further enhance our data quality and coverage for socially-focused lending.

Impact
Making an impact beyond finance

2024 highlights

- Refreshed our community and giving strategy to drive greater colleague engagement and impact.
- Continued to support our strategic charity partner programmes, working with both Saracens Foundation and Future First.
- Donated over £250,000 to more than 40 charities.
- Over 1000 Make a Difference volunteering hours.

Our short-term focus[3]

- Increase colleague engagement in community and giving activities.
- Increase colleague uptake of Make a Difference days.
- Continue to collaborate with existing partners and explore new partnerships to increase our impact.

Our 2024 Climate Report, included on pages 155 to 173 has been prepared in order to comply with the non-financial and sustainability-related requirements of the Companies Act 2006. The report is consistent with the Task Force on Climate-related Financial Disclosures (TCFD) 2017 recommendations and 2021 Annex[4] across all four TCFD pillars.

1 Lending during 2024 that aligns to the environmental/social criteria within our Sustainable Finance Framework. This has been developed using best practice and industry guidance. See page 42 for further information.
2 See page 169 within our Climate Report for further information on how we segment our portfolios.
3 Over the next 24 months.
4 The 2021 TCFD Annex provides both general and sector-specific guidance on implementing the Task Force's disclosure recommendations. Updates reflect the evolution of disclosure practices, approaches and user needs.

Planet

Protecting our planet for future generations

Climate and nature-related risks, such as rising global temperatures, biodiversity loss and extreme weather events, pose significant challenges not only to our organisation but also to society more widely. Contributing to the climate transition and minimising our environmental footprint are core components of our sustainability strategy and we have set targets to become a net zero[1] organisation by 2050[2] and by 2035[3] for our own operations.

Our strategic priorities:

1. Support the climate transition
2. Reduce our environmental impact
3. Embed environmental considerations into our corporate DNA



Impact

45%
of our buy-to-let book is rated EPC C or higher[4]

47%
of our owner-occupied book is rated EPC C or higher[5]

>£640 million
of sustainable finance originations

51%
of our top suppliers are net zero aligned[6]

"In 2024, we continued our data-driven approach to measuring climate risks and further integrated environmental considerations into our lending approach. This enabled us to more effectively identify and manage risks and opportunities, to ensure we are better prepared to address the current climate and environmental challenges"



Hugh Fitzpatrick
Chief Risk Officer and Senior Management Function responsible for climate risk

1 We use the term 'net zero' to describe a reduction in GHG emissions coupled with carbon removal for residual emissions.
2 Covers Scope 1 and Scope 2, Scope 3 category 3 fuel-and-energy related activities, category 5: waste, category 6: business travel, category 7: employee commuting and category 15: financed emissions for the Group's Property Lending Portfolios and SME portfolios. This excludes Scope 3 Category 1: purchased goods and services.
3 Covers Scope 1 and Scope 2 emissions using location-based methodology. This excludes all relevant Scope 3 emission categories.
4 % of known EPC ratings in the Group's buy-to-let portfolio as at 30 November 2024. This covers 71% of this portfolio.
5 % of known EPC ratings in the Group's owner-occupied portfolio as at 30 November 2024. This covers 85% of this portfolio.
6 % of suppliers, with spend over £200,000, that either have a net zero target for their own operations or have aligned to the Science Based Targets initiative (SBTi) approach for net zero.

Climate Report: summary

Our Climate Report can be found on pages 155 to 173 and provides detailed information on our strategy and progress made during the year.

Strategy

- Our strategy revolves around three pillars, addressing climate-related risks and opportunities across different time horizons through our evolved transition plans which are embedded across each franchise:
  1. Support the climate transition
  2. Reduce our environmental impact; and
  3. Embed environmental considerations into our corporate DNA.
- During 2024, we made good progress on our strategic priorities. This included providing over £640 million of sustainable financing through new and existing lending products. We also invested in enhancing our data capabilities to better support our customers' climate transition.
- We completed our third annual quantitative assessment of the climate-related scenarios to test the resilience of our strategy over a three to five year period.

Governance

- The Board is accountable for steering our approach to managing climate-related risks and opportunities, while Management is responsible for overseeing the delivery of the strategy to manage these.
- In 2024, the Board continued to monitor the Group's strategic progress, receiving half-yearly updates on key metrics, targets, and transition plans, while Management through the Sustainability Sub-Committee and other climate-related groups oversaw and developed the climate strategy and external disclosures.
- In January 2025, the Audit Committee received externally facilitated training to enhance members' climate-related skills and knowledge to assist when reviewing and challenging the Group's external climate disclosures.
- Mandatory climate training is now part of the new joiner induction programme, building foundational climate knowledge to support embedding.

Risk management

- Climate risk is a principal risk in our risk taxonomy. This ensures that climate-related risks are embedded throughout our risk management framework and processes.
- We identify and assess climate-related risks in six stages: identification, measurement, management, monitoring, reporting, and challenge. We manage climate risks through the selection of one of four strategies: accept, avoid, transfer, or mitigate, with the chosen strategy informing our business decisions.
- We manage climate-related credit risks proportionally, using four customer-specific strategies: data-led, policy/process-driven, individual counterparty assessments, and exclusions for loans with limited physical or transition risk.
- Our climate risk appetite is approved by the Board and includes qualitative statements and quantitative triggers and limits.

Metrics and targets

- Our climate-related metrics, covering operations, supply chain, financed emissions, and sustainable finance, are monitored frequently and reported at least annually to the Board for oversight.
- During 2024, we continued to improve our data quality and measurement process for our Scope 1, Scope 2 and relevant Scope 3 emissions related to our operations. We have seen a reduction in our overall operational carbon footprint compared to 2023. This is attributed to improvements to the quality of data, continued efficiency improvement at our sites, changes in employee behaviours and improvements to methodology to enhance accuracy. Our full streamlined energy and carbon reporting (SECR) report can be found on page 33.
- We have continued to reduce our financed emissions intensity from our 2021 baseline for both our Residential Properties and Commercial Properties Portfolios. The main driver has been higher-rated EPC properties within our new originations, improving the overall EPC mix for both portfolios.

Streamlined energy and carbon reporting (SECR)

Reporting period: 1st January 2024 – 31st December 2024

		2024	2023
Energy	Total energy use for Scope 1 & 2 emissions (kWh)	734,347	823,811
Emissions (tCO2e)	Scope 1: Emissions from heating and own transport	2	3
	Scope 2: Emissions from the use of purchased electricity (Location-based[1])	150	168
	Scope 2: Emissions from the use of purchased electricity (Market-based[2])	5	49
	Total emissions (Scope 1 & 2[3])	**152**	**171**
	Scope 3: Category 1 (Purchased goods and services)	8,843	10,566
	Scope 3: Category 3 (Fuel-and energy-related activities)	48	53
	Scope 3: Category 5 (Waste)	12	12
	Scope 3: Category 6 (Business travel)	378	560
	Scope 3: Category 7 (Employee commuting)	356	504
	Total Scope 3 emissions	**9,637**	**11,695**
	Total Scope 1, 2 & 3 emissions[3]	**9,789**	**11,866**
Intensity	Scope 1 & 2 emissions (kgCO2e) per full time equivalent (FTE)	97	113
	Change from previous year	-14%	

Our greenhouse gas (GHG) reporting follows the GHG Protocol, specifically under the operational control approach, for all facilities occupied by the Group[4]. This is in line with our obligations under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR regulation[5].

Methodology

All GHG calculations were performed using the 2024 Department for Environment, Food & Rural Affairs (DEFRA) emission factors, other than spend-based calculations and working from home emissions (which falls under employee commuting). We used Exiobase 3.8.2 for all spend-based calculations.[6] International Energy Agency (IEA) 2024 emission factors were used to cover working from home emissions. The data used was based on operational data gathered and prepared internally with emissions calculated utilising a climate management and accounting platform.

Comparison to 2023 SECR

Emissions from energy consumption (Scope 1 and Scope 2) decreased due to better data quality and coverage as a result of increased access to direct energy consumption data from our operational sites and the transition to renewable energy tariffs. Total Scope 3 emissions also decreased. This is attributable to improved data quality, a shift to distance-based methodology for air travel (previously we utilised spend-based methodology) and increased supplier coverage for direct emissions data (43% of supplier spend in 2024, up from 39% in 2023). Additionally, changes in employee commuting behaviours, such as increased use of low or no-emission travel (e.g. electric vehicles, walking and cycling) and improvement to the employee commuting methodology[7] enhancing measurement accuracy.

Energy efficiency measures

Throughout 2024, we reviewed our estate portfolio to identify opportunities for reducing energy consumption, which included our move to a new London office. A remaining site was transitioned to a renewable electricity tariff, as part of our continued collaboration with landlords to enhance the energy efficiency of our properties.



Spotlight

Reducing our operational environmental impact – our new home in London

Our new office at 40 Leadenhall Street, London boasts energy-efficient features like LED lighting and water source heat pumps, minimising energy consumption. A greywater recycling system and water efficient fittings also aim to reduce water use throughout the building. 40 Leadenhall is on track to achieve BREEAM Excellent and NABERS 5*, signifying best-in-class operational energy performance. To further minimise our environmental impact, where possible we reused existing equipment during the fit-out, promoting circularity and diverting waste from landfills[8].

1 Location-based approach reflects average emissions for electricity supplied through the UK grid.
2 Market-based approach reflects the emissions from the electricity that the Group has purchased and derives emission factors from contractual agreements. Residual emissions are a result of moving remaining operational site onto renewable energy tariff.
3 Location-based approach is used to measure our total Scope 1 and Scope 2 emissions.
4 This includes Shawbrook Bank Limited, BML, TML and JBR covering 10 office locations and those working remotely with a total of 1,565.8 FTE as at 31 December 2024. Note that emissions measurement for our London office relates to our previous office at Appold Street assuming occupation to the end of the year. We moved into our new London office at 40 Leadenhall Street in November 2024.
5 The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
6 Exiobase is a Multi-Regional Environmentally Extended Input-Output (MRIO) Table and we used UK specific MRIO emission factors for our measurement.
7 Accounted for employees' annual leave days entitlement in line with best practice.
8 40 Leadenhall Street uses 100% renewable energy and green gas, through Renewable Energy Guarantee of Origin (REGO) and Renewable Gas Guarantee of Origin (RGGO) certification.

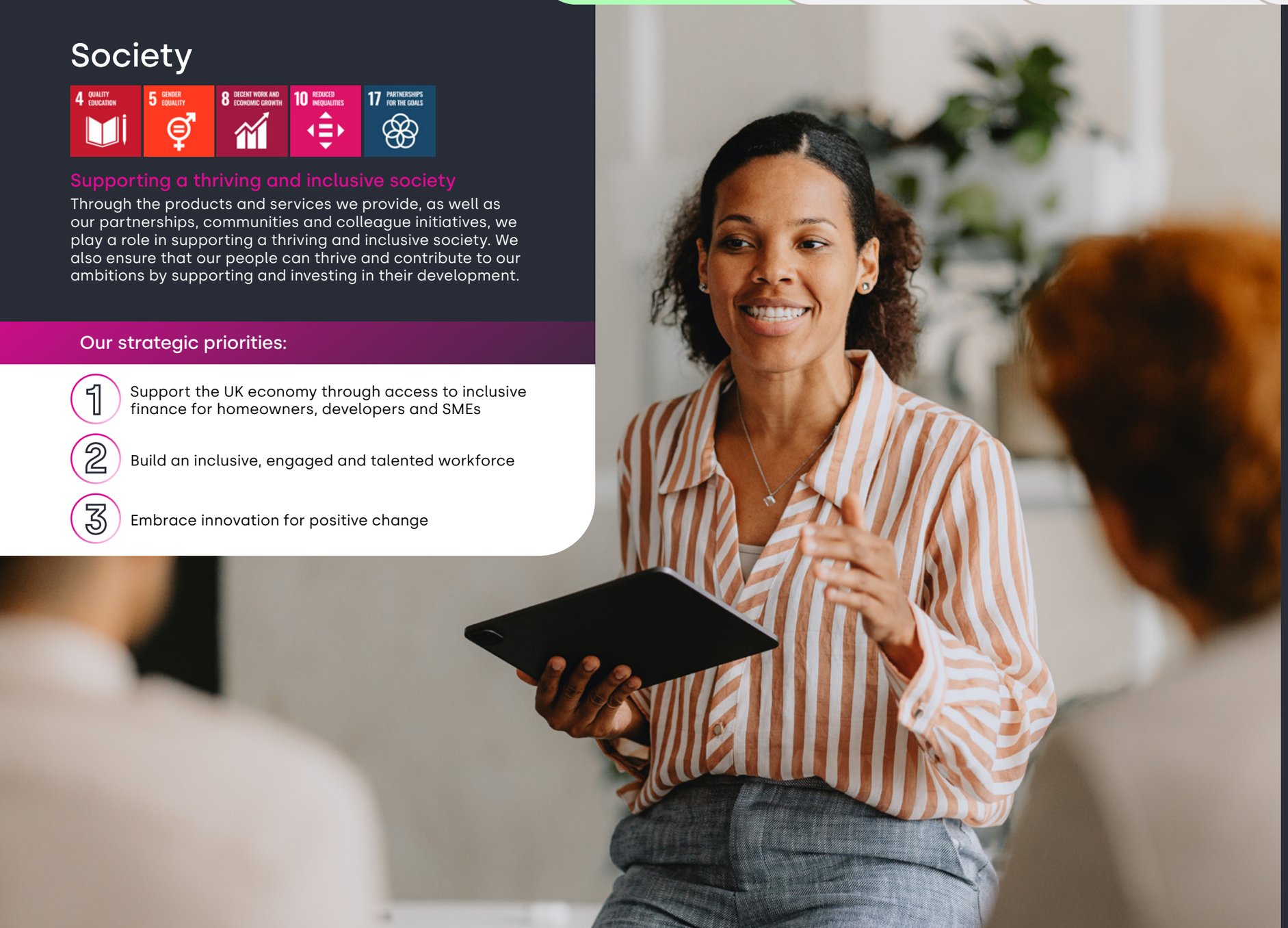
Society

Supporting a thriving and inclusive society

Through the products and services we provide, as well as our partnerships, communities and colleague initiatives, we play a role in supporting a thriving and inclusive society. We also ensure that our people can thrive and contribute to our ambitions by supporting and investing in their development.

Our strategic priorities:

1. Support the UK economy through access to inclusive finance for homeowners, developers and SMEs
2. Build an inclusive, engaged and talented workforce
3. Embrace innovation for positive change



Impact

81%
employee engagement score in our latest engagement survey

87%
participation rate in our latest engagement survey

29%
of vacancies filled with internal applicants

>500
coaching and mentoring sessions delivered to support talent development

36%
of our Board members are female

"Digital is redefining how our people think, fostering a mindset of continuous improvement and enabling us to meet evolving customer needs and seize new opportunities for growth."



Debbie Griffin
Chief People and Marketing Officer

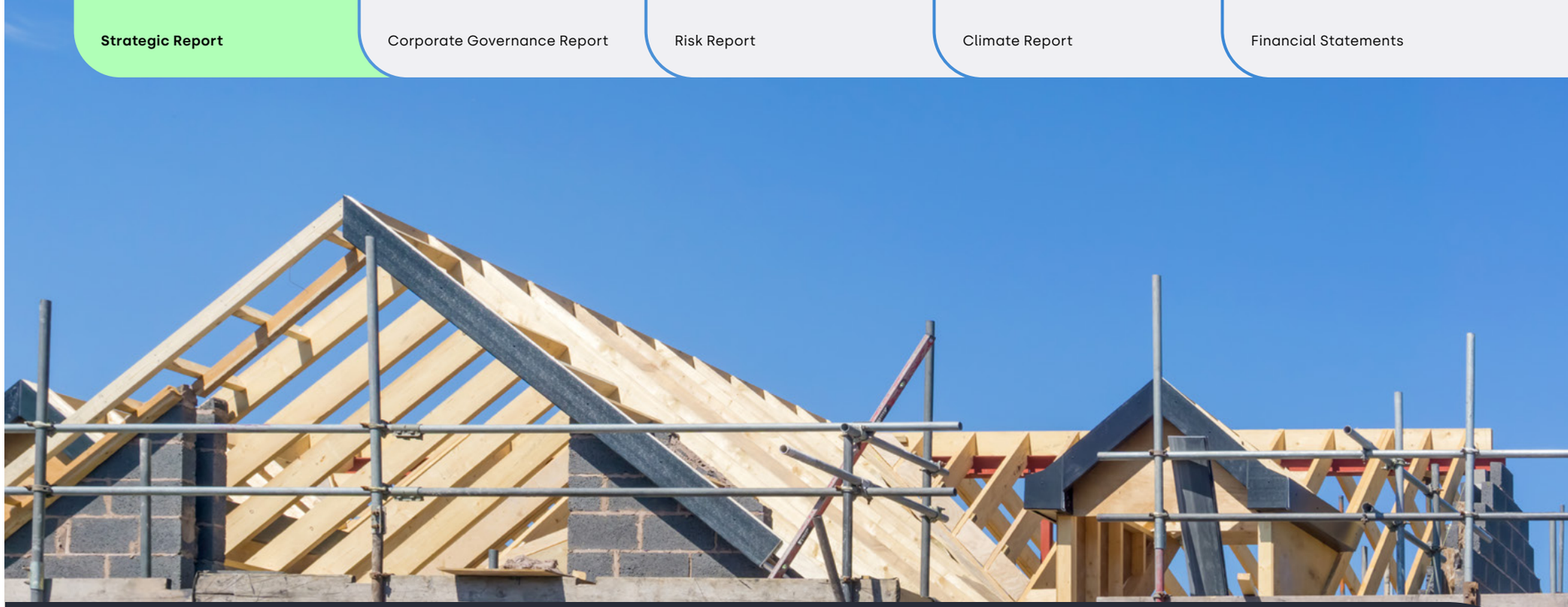
1 Supporting the UK economy through access to inclusive finance for homeowners, developers and SMEs

Socially-focused lending

We provide specialist finance solutions to individuals and businesses often underserved by mainstream lenders and are active in a number of markets that can deliver a positive impact on society. These include:

- In our Retail franchise, our Retail Mortgage Brands provide mortgages to first-time buyers, and individuals with complex income profiles to help them access financing for home ownership. Often these individuals have previously faced barriers accessing the traditional mortgage market.
- In our Commercial franchise, we offer financing across a range of sectors and asset classes including Community Development Finance Institutions, the healthcare sector and development and provision of various types of affordable accommodation.

During 2024, we provided over £340 million of sustainable finance that is socially-focused[1].



Spotlight

Funding to expand reach and support for families struggling with increased living costs

We supported Fair for You, a not-for-profit lender providing affordable credit to underserved individuals, with new funding lines. This significant boost will enable the social enterprise to double its support for families struggling with increased living costs. By partnering with trusted retailers, Fair for You offers flexible finance options tailored to individual needs, empowering customers to access essential goods and build financial resilience. This partnership exemplifies our commitment to supporting Community Development Financial Institutions and underscores Fair for You's dedication to improving the financial wellbeing of vulnerable households. This collaboration will enable Fair for You to reach more customers, helping them avoid hardship, regain control of their finances, and improve their overall wellbeing.

Spotlight

Alleviating the undersupply of housing in the UK with increased funding to smaller housebuilders

We worked with the British Business Bank on an ENABLE Build guarantee facility to significantly increase the availability of development finance to smaller housebuilders in the UK. This facility aims to provide over £300 million of lending to help fund the creation of new homes across England and Wales, strengthening our support for SME housebuilders who play a pivotal role in helping to meet the ever-growing demand for new homes. This increased housing supply will help address the housing shortage, benefiting individuals and families seeking affordable and suitable homes.

1 Based on the social criteria of our Sustainable Finance Framework. More information can be found on page 42.

Customers in vulnerable situations

We instil and continuously embed a culture that empowers our customer-facing colleagues to support customers in vulnerable situations. Colleagues are supported with policies and guidance, training and a group-wide Vulnerable Customer Network (VCN). We hold periodic VCN meetings to share best practices, foster collaboration and ensure the principles of supporting vulnerable customers are consistently applied across the Group. This includes discussing data and how it is used to understand our vulnerable customers, their circumstances and the impact of our processes.

In line with the FCA's focus in 2024, we have enhanced our frameworks to support customers who are facing financial difficulties. We have implemented a new approach to managing customers with long term vulnerabilities, which includes scheduling periodic reviews to ensure that the customer treatment remains appropriate. The new approach is being rolled out across the Group.

We also implemented additional contact centre functionality in 2024. Refer to page 38 for further information.

We continue our focused work on Consumer Duty embedding by continually reviewing our products, journeys and communications to ensure that they remain appropriate.

Customer insight and experience

Analysing and interpreting customer data, behaviours and feedback is important for shaping our strategy. By understanding our customers' needs, preferences and experiences, we can design products and services that deliver excellent customer experiences and help us to optimise and scale our operations efficiently.

1

Customer segmentation and persona creation, enables us to understand our customers and refines our strategy, ensuring we meet the evolving needs of our customers. These insights have been overlaid onto large scale Real Estate survey results, to gain a deeper understanding of customer sentiment and desired services. We have also expanded our brand survey to cover our Retail Mortgage Brands. To further enhance our insights, we are developing actionable strategies to link customer data with survey responses, pinpoint pain points and drive targeted improvements.



2

We maintain a thorough understanding of the customer experience through our Voice of the Customer programme, using consistent methods to gather qualitative and quantitative date. This programme was expanded in 2024, and into 2025, to include our Retail Mortgage Brands, SME and the new Digital Savings platform. To further support this, customer dashboards for each franchise are reported to the Board quarterly. These include Consumer Duty metrics and focus on customer 'moments that matter'. We also use these dashboards to drive more thematic research.

3

Delivering actionable insight is crucial for our Voice of the Customer programme. Insights are shared through franchise-level customer experience forums to ensure the focus remains on the customer. Product roadmaps fed by the insights we receive guide our customer experience initiatives and drive improvements to enhance overall customer outcomes and experiences.

2 Our people: Building an inclusive, engaged and talented workforce

Building an inclusive, engaged and talented workforce is central to our wider strategy, supporting our 'best of both' model which combines technology with the expertise of our people. We are committed to supporting and developing our people, nurturing talent and valuing the individuality that our people bring to Shawbrook.

In an increasingly dynamic and competitive landscape, digital innovation has become the cornerstone of our agile culture. By embracing new technology, data-driven insights, and collaborative tools, we are empowering our people to adapt quickly, make informed decisions, and deliver sustainable value.

Health and wellbeing

We strive to optimise employee wellbeing through a range of benefits to make Shawbrook a great place to work.

We support the physical and mental wellbeing of our people through a range of non-financial benefits including private medical insurance which enables access to digital GP services, access to meditation mindfulness tools through a digital app, and a dedicated internal team of trained Mental Health First Aiders, available to listen, support and connect colleagues to mental wellbeing resources.

During 2024, to improve our benefits package, we added a neurodiversity diagnostic benefit to our private medical insurance available to employees and their insured dependants. We also extended access to a digital mindfulness app to include free access for up to 5 members of our employees' households. We also offered bi-annual financial wellbeing support through a series of pension related webinars and 1-2-1 review sessions in conjunction with our pension provider.

Recognition awards

Our employee recognition awards celebrate exceptional contributions from our colleagues, recognising both individual and group achievements. The aim of the awards is to reward the very best examples of how we live our purpose, highlighting where our colleagues have been practical, personal and creative to an exceptional degree. In 2024, 104 nominations and 43 winners highlighted the achievements of our people across areas such as Ramadan planning, website development, bereavement support, and automation.

Valuing our people

We are committed to creating an inclusive working environment. During 2024 we continued to increase the impact and reach of our employee-led groups, focusing on the topics that matter the most to them. This included hosting a number of fireside chats with internal and external speakers covering a range of topics from social mobility, LGBTQ+ experiences of employees, allyship and neurodiversity.

Progress Together was launched as part of a government commissioned taskforce to focus on progression, retention and socio-economic diversity across the financial services sector. We became a member of Progress Together in 2024 and contributed to their 2024 Data Report. In the report, we were positioned at the median across key measures. We now have an action plan for 2025 building on the foundations we have laid to date.

Gender pay gap

Since 2016, we are committed to the HM Treasury's Women in Finance Charter, which aims to ensure gender balance across financial services. We successfully reached our target of 30% female senior management representation within the year, but on our target date of September 2024 we were at 28.4%. We continue to make progress and strengthen our leadership pipeline and have therefore repledged our commitment to the Charter with a revised target of 35% female senior representation by 2030. This new target aligns with our efforts to identify, develop, support, and progress core talent within our leadership pipeline, ensuring equality and inclusion are integral to our leadership behaviours and practices. We continue to make sustained progress with our gender pay gap, improving this to a mean and median gap of 30.9% and 33.9% respectively. This remains significantly impacted by the proportionately higher number of men in senior roles.

Gender pay gap and bonus

	Mean		Median	
	2024	2023	2024	2023
Gender Pay Gap	**30.9%**	34.3%	**33.9%**	38.9%
Gender Bonus Gap	**51.6%**	53.9%	**40.0%**	42.9%

See our full 2024 Gender Pay Gap Report here: **shawbrook.co.uk/media/jnxnkbe4/shawbrook-gender-equality-report-2024.pdf**

Training

All of our people take part in structured mandatory learning throughout the year on a range of topics including anti-bribery and corruption, anti-money laundering, conduct, financial crime and understanding vulnerable customers. During 2024, we adapted all regulatory training to make it more relevant to Shawbrook. New joiners also receive induction training including a module on climate change.

In addition to our mandatory training, we offer a range of flexible learning solutions through our dedicated Shawbrook learning, mentoring and coaching platforms. Throughout 2024, over 500 coaching and mentoring sessions took place using our mentoring and coaching platforms. Study support for professional qualifications is also available on a case-by-case basis.

We continue to invest in our leadership population, providing a range of solutions tailored to their individual needs and aligned to our bespoke Leadership Framework, supporting our approach to talent management and succession planning. During 2024 we commenced the roll out of a new programme across the organisation, to provide a common language and understanding of behaviours at both an individual and team level as part of our high-performance culture focus.

To promote agile learning, we also introduced the Shawbrook learning platform which caters for all learning styles and can be completed on any device ensuring flexibility. Since its roll out in January 2024, over 3,000 pieces of content have been utilised by our people.

Emerging talent

We nurture young talent through partnerships with the following organisations enabling students from state schools and colleges to explore career paths they might not have otherwise considered.

1. **Uptree partnership**
   Uptree support us in selecting individuals to attend our insights days in our London and Glasgow offices, and we have also attended Uptree's Futures Up event which enabled us to network with young people and share our opportunities. In our 2024 Thrive apprentice intake, we selected three individuals through this partnership onto our programme.

2. **Saracens partnership**
   We have been working with Saracens High School over the last year, delivering sessions on personal finance and our apprenticeship opportunities. We also provided two T-Level students with a 6-month placement, and plan to continue to offer these opportunities into 2025.

3. **Future First partnership**
   Our continued collaboration with social mobility charity Future First has resulted in building meaningful partnerships with three schools in London and plans to expand to schools in Glasgow. Over the last year, we have reached over 400 students with financial literacy apprenticeship sessions, hosted a successful Shawbrook Futures work experience week for 14 Year 12 students and welcomed our first Thrive apprentice through our school partnerships initiative.

Spotlight

Thrive apprenticeship programme

Hibbah joined us in September 2024 as a Level 4 Data Apprentice through our Thrive programme with Beal High School. She has quickly excelled in her role and is a great ambassador for our partnership school programme, sharing her experience with other students. This showcases the real impact that the Thrive programme has on creating opportunities for young people and developing future talent at Shawbrook.

3 Embracing innovation for positive change

We are committed to leveraging innovation to create a positive impact for all our stakeholders. By harnessing technologies and implementing new approaches, we aim to make banking simpler, more intuitive and inclusive for our customers.

Spotlight

Evolving our support to customers in vulnerable situation

We have embraced artificial intelligence (AI) to drive positive change by transforming how we support customers in vulnerable situations. In 2024, our AI-powered contact centre has improved how we identify and support this customer group. By leveraging sentiment analysis, we have tailored our interactions to meet specific needs, significantly improving the customer experience and enhancing colleague performance through rapid feedback. For example, within our Savings business, we can now identify customers that could potentially be in a vulnerable situation five times more effectively at the first point of contact. AI also triples the efficiency of colleagues reviewing these interactions.

Impact

Making an impact beyond finance

We aim to make an impact beyond finance through investing in and supporting communities and the passions and interests close to the hearts of our people, in order to create meaningful impact for the communities in which we live and work.

Our refreshed communities and giving strategy is designed to amplify our impact and strengthen the relationship within our communities, to ensure progress towards a more sustainable and positive future.

Our strategic priorities:

1. Invest in and support our communities through partnerships and charitable donations
2. Support the passions and interests close to the hearts of our people



Impact

>£250,000
donated to multiple charitable causes

>1000
Make a Difference volunteering hours recorded by colleagues

>40
individual charities supported

"By partnering with charities on key issues such as gender equality and social mobility, we aim to drive positive and lasting social impact. Our people are empowered to make a difference through fundraising and volunteering activities for causes that are close to their hearts."



Joanna Grobel
Chief of Staff

1 Investing in and supporting our communities through partnerships

Our strategic partnerships are designed to drive positive and lasting impact, with our current focus on social mobility and gender equality. Through collaboration with our partners Saracens Foundation and Future First, we aim to transform the lives and future potential of young people.

Championing social mobility

Through collaboration with Future First, we are championing social mobility and helping young people access opportunities that might not have previously been open to them. Beyond our financial support to Future First, we actively encourage our employees to engage directly with this transformative mission.

Inspiring the next generation of female leaders through sport

Now in its fourth year, the Empower Her project continues to inspire and nurture future female leaders through the power of sport. The project equips participants with essential skills for their future careers through a dynamic blend of mentoring, workshops and networking opportunities. Each phase of the project is designed to provide participants with the tools and connections needed to thrive in their future beyond education.

Shaping future prospects through Go Forward

Our continued contribution to Saracens Foundation on the Go Forward programme provides support to secondary school students who may be at risk of suspension or permanent exclusion. Through personalised mentoring and guidance, the project aims to cultivate a positive outlook towards learning, igniting aspirations for the future.

"The continued support from Shawbrook on both the Go Forward and Empower Her programmes have had a profound impact on the participants. We have seen first-hand how sport fosters confidence, builds resilience and creates lasting change. By providing opportunities for young people to thrive both on and off the field, Go Forward and Empower Her are utilising all the positive impacts of sport whilst also nurturing future leaders who are committed to making a positive impact in their communities and beyond."

Benjamin Lawrence
Head of Operations, Saracens Foundation

2 Supporting the passions and interests close to the hearts of our people

We support the causes and interests that matter most to our people.

We actively support our colleagues' fundraising efforts through match-funding, which boosts the impact for their chosen charities and strengthens our sense of unity and shared purpose. By matching our colleagues' donations, we can create a wider positive impact in our community.

We donated over £250,000 to multiple charitable causes in 2024. All colleagues are entitled to two Make a Difference days a year, helping us to make an impact beyond finance. During 2024, our colleagues recorded over 1000 Make a Difference hours.



Spotlight

Embedding 'making an impact beyond finance' into the heart of what we do

To champion the causes that matter to our people, we encourage colleagues to make the most of their Make a Difference days. These dedicated volunteering days can be used to support our partner programmes or individual charities that resonate with colleagues personally. Additionally, we support our colleagues when they volunteer outside of working hours or participate in fundraising activities through time and match-funding.

Our Commercial implementation team incorporated volunteering into their quarterly face-to-face meeting by clearing rubbish on Hoylake Beach on the Wirral Peninsula.

"We were delighted to come together on the Wirral in September 2024 to give something back to the local community, a change from our normal working environment. The team really enjoyed the experience and it really brought home to all of us just how much impact we made on our little stretch of beach that day."

Deborah Ring
Head of Commercial Implementation

Responsible business practices

Responsible business practices underpin and form the foundations of our sustainability strategy. We believe in operating with integrity, creating long-term value for all stakeholders and upholding high standards of governance. We actively promote best practices across the organisation and collaborate with our suppliers and partners to ensure they uphold equivalent standards.

Our strategic priorities:

1. Effective Board and Management structures
2. Robust governance and risk management
3. Transparent and accountable disclosures





1 Effective Board and Management structures

Board and Management

The Board is responsible for setting the Group's strategic aims to drive long-term sustainable success, while Management is responsible for implementing and delivering sustainability-related priorities. Our comprehensive sustainability governance framework, embedded within our existing structure, comprises of a dedicated Sustainability Sub-Committee and associated working groups. During 2024, sustainability-related matters continued to feature as Board agenda items, with Directors engaging and challenging on these important issues. The Audit Committee received dedicated climate-focused training in January 2025 to further support their understanding of the evolving sustainability landscape, enabling input and challenge.

Board effectiveness

We continually review the composition of our Board to ensure that we have a diverse range of skills, experience and perspectives among our Directors to fulfil our stewardship responsibilities and drive our ambitious trajectory. An externally-led review of the Board's effectiveness is currently underway.

The Board continues to foster an inclusive environment where every Director's input is valued, and bias and discrimination are not tolerated.

Sustainability-linked Executive pay

In 2024, the Group's bonus scheme design continued to include performance measures relating to sustainability factors, including climate and charitable giving metrics.

Sustainable financing

We recognise the environmental and social impacts of our customers' business activities, and have integrated sustainability considerations as part of our financing decisions. Our credit policy is guided by a set of sustainability principles, aiming to align our lending with our broader sustainability strategy. This involves actively seeking to finance activities that support the transition to net zero and generate positive societal impact. However, we have identified certain sectors, for example, high-carbon industries, as sensitive due to their potential for significant adverse environmental and social impacts.

For financing within these sensitive sectors, we have measures, including exclusions for specific activities, and requiring enhanced due diligence for those not within our exclusion list to ensure we understand their transition plans towards net zero. This approach allows thorough evaluation of customers' plans, mitigating potential credit and reputational risks. The Sustainability Panel, comprising the Chief Executive Officer, Chief Risk Officer, and Chief Financial Officer, serves as an escalation point for transactions with potentially high environmental and/or social risks.

We are also committed to providing financing with a positive environmental and/or social impact. Our Sustainable Finance Framework, which is aligned with industry standards such as the EU Taxonomy and the International Capital Market Association and Loan Markets Association Green and Social Principles, outlines eligibility criteria for such lending. Detailed information regarding our 2024 environmental and social lending can be found on pages 173 and 35, respectively.

Overview of our Sustainable Finance Framework eligibility criteria

Environmental

- **Green built environment** covers EPC A and B rated properties, other specific industry ratings such as BREEAM and retrofits for existing buildings.
- **Energy efficiency** covers any assets or activities that result in a minimum 20% energy efficiency improvement or heat loss reduction.
- **Renewable and low carbon energy** covers assets and activities that relate to these energy sources including wind, solar and biofuels.
- **Sustainable infrastructure and transport** covers electric, hybrid or alternatively-fuelled transportation and associated infrastructure and activities, with specific emission thresholds.
- **Sustainable management of natural resources** covers activities that support agriculture, fisheries and forestry, complying with specific sustainability standards.
- **Sustainable waste and water management** covers activities that provide access to clean water or improve water efficiency and quality.

Social

- **Home ownership for specific underserved population** including first time buyers, later life borrowers (aged 55 years or above) with assessed incomes below the UK median household income and complex incomes.
- **Affordable housing** covers social and affordable housing including registered social landlords, and mortgages to government or industry backed schemes such as shared ownership.
- **Healthcare** covers all NHS or affiliated with NHS trust, not-for-profit care homes and community health providers. This excludes private healthcare.
- **Education and training** covers all activities not considered private education including not-for-profit schools and schemes for reskilling or upskilling.
- **Access to credit and financing** covers financing to Community Development Finance Institutions and SMEs that meet specific criteria.
- **Access to transportation and infrastructure and access to public spaces** covers activities in underdeveloped rural areas or regions in the UK.

Sustainable Development Goals (SDGs) alignment

The United Nations SDGs comprise 17 interconnected global objectives to guide nations, governments and companies towards a sustainable future. Our 2024 annual review reaffirmed our commitment to eight of the SDGs, as we believe we can continue to make a positive contribution towards their achievement through our sustainability strategy and priorities.

The table across shows examples of how we positively contribute to our focused eight SDGs across our key stakeholder groups.

SDG	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS
Employees		✓	✓		✓		✓	
Customers			✓	✓		✓	✓	✓
Communities	✓	✓						✓
Suppliers			✓				✓	

2 Robust governance and risk management

Data protection and privacy

We are committed to handling personal data in a compliant manner as required by the UK General Data Protection Regulation (GDPR) and Data Protection Act 2018. We have a comprehensive framework of policies and processes to manage data privacy risk, overseen by our Group Data Protection Officer.

During 2024, we simplified and standardised our Data Protection Policy Framework. The newly-acquired JBR is expected to adopt our Group-wide policy in 2025. Our people receive training annually to refresh their knowledge and awareness. During the year we continued to invest in training and development of those colleagues involved in data protection compliance and reviewed our operating model to provide greater consistency and scalability. We have also undertaken a review of the effectiveness of our privacy framework and where enhancement opportunities were identified we have developed appropriate plans for their delivery.

Cyber security

We adopt a holistic approach to information security controls, which are aligned to the National Institute of Standards and Technology (NIST) Framework, with a dedicated Cyber Incident Response Plan in place in the event of a cyber incident. Our Adaptive Security Architecture Framework provides the information security capabilities to prevent, detect, respond and predict. Combined, these controls provide multiple layers of protection to mitigate cyber and information security risks and maintain the ongoing security posture of the Group. These are supplemented with annual information security computer based training and cyber awareness training. All controls that underpin the capabilities are recorded against the respective risks in the group risk management system and are subject to bi-annual controls assessment. We continue to undertake periodic testing of the controls at the Group's technology perimeter with the support of external advisers and continue with a programme of visible awareness for colleagues.



Compliance, conduct and ethics including Speak Up (whistleblowing)

Our policies and procedures are built on a robust foundation that incorporates relevant regulatory requirements, including principles of good conduct and responsible lending. We maintain a dynamic framework process to ensure continuous improvement through proactive monitoring of regulatory and legislative changes. In 2024, we enhanced our compliance training programme by partnering with a new provider to ensure our content is relevant, up-to-date with regulatory requirements and purposeful.

Our Vulnerable Customer Policy empowers front-line teams to provide tailored support to customers in vulnerable circumstances given the challenges associated with the heightened cost-of-living. We offer appropriate and proportionate assistance to customers experiencing payment difficulties, demonstrating our commitment as a responsible lender.

Our Speak Up Framework and policy encourages employees and third parties to raise concerns when they see conduct that may be inconsistent with our values. We have continued to embed this framework throughout 2024, this includes:

- Ongoing training for our people and new joiners through the induction process; and
- Procured a new system to enable our people to report concerns anonymously through an externally hosted portal or externally hosted speak up phone line. This is due to launch in 2025.

Financial crime

We are firmly committed to fulfilling our legal and regulatory obligations through the application of a risk-based approach to deter, detect, prevent and report financial crime. To safeguard the Group and our customers and protect us from financial crime, we continuously invest in technology and expertise to strengthen our control framework. Our comprehensive financial crime risk assessment encompasses key areas such as money laundering and terrorist financing risk, bribery and corruption, sanctions risk, tax evasion risk and fraud risk. We also provide annual training for our people in these critical areas and monitor completion rates.

We continue to monitor the evolving and increasingly complex landscape of financial crime threats and adapt our strategies to mitigate these risks accordingly. During 2024 we made some enhancements to our process including the implementation of a Group-wide gifts and hospitality portal. In addition a back book load exercise of all banking customers onto one onboarding platform was completed.

Operational resilience

Our focus on operational resilience is to ensure the continuity of the most important services our customers rely upon. We assess, improve, and test our approach to minimise disruption and meet agreed service levels. We are on track to meet the regulatory Operational Resilience Policy final rules by the end of March 2025. This will further underscore the robustness of our control framework in maintaining customer service despite external and internal disruptions. Throughout 2024, we demonstrated our ability to swiftly identify and effectively recover from operational disruptions, such as the global CrowdStrike incident in July 2024, to ensure there was minimal impact on our customers.

Third party suppliers

We regularly review our supply chain and engage with our suppliers to ensure they act responsibly, align with our core values and meet regulatory requirements. During 2024, we developed a supplier climate questionnaire to further support our ambition to have at least half of our suppliers, with annual spend over £200,000, net zero aligned by the end of 2025. This allows us to collect actual emissions data and understand their net zero commitments.

Human rights and modern slavery

We are committed to respecting human rights and have a zero-tolerance approach to any modern slavery. During 2024, we reviewed our oversight of third parties and case studies were shared across our Modern Slavery Working Group to ensure continuous improvement.

A full copy of our Modern Slavery Statement can be found on the Group's website at: **shawbrook.co.uk/information/modern-slavery-act/**

Anti-bribery and corruption

We are committed to conducting all business in an honest and ethical manner, taking a zero-tolerance approach to bribery and corruption. We operate professionally, fairly and with integrity in all of our business dealings and relationships. This is achieved by embedding and enforcing effective systems, policies and frameworks such as our Anti-bribery and Corruption Policy, Anti-money Laundering Framework gifts and hospitality portal. In 2024 we further embedded our gifts and hospitality portal, rolling this out to BML and TML in Q4 2024, with plans to include JBR in 2025.

Tax strategy

We are committed to fulfilling our tax obligations responsibly and transparently, fairly contributing to the UK economy and wider society. We have adopted and comply with HM Revenue and Custom's (HMRC) Code of Practice on Taxation to manage tax risks, and seek to maintain an open, honest and constructive relationship with HMRC in relation our tax affairs.

Creating value for our stakeholders (S172 statement)

This section describes how the Directors have had regard to matters set out in Section 172(1) (a) to (f) of the Companies Act 2006.

Effective stakeholder engagement is central to the development and execution of our strategy, helping us to achieve long-term sustainable success. In undertaking its duties, the Board continues to be mindful of the need to appropriately balance the interests and expectations of the Group's different stakeholders.

In this report we summarise how the Board (including its committees) and the Executive Committee have continued to engage with and consider the needs of our stakeholders in their decision-making.



Customers

Understanding what is important to our customers is key to our long-term success. We stay closely connected and use insights gathered to continually evolve and adapt our proposition, helping us to stay ahead of their needs and expectations.

The Board makes sure that the voice of the customer remains at the centre of discussions where appropriate. Following the implementation of the Financial Conduct Authority's (FCA) Consumer Duty, overseen by our Board Consumer Duty champion, Janet Connor, the Board has worked with management to develop and evolve a quarterly customer insights dashboard. This brings together insights and feedback from across our diversified proposition, enabling the Board to understand the customer experience and any improvements underway.

The Board also oversees new product and proposition launches including those designed to enhance our customer journeys. In 2024 this included the roll-out of our Digital Savings platform, leveraging technology to deliver more intuitive, efficient customer journeys. Read more about this on page 9.

Throughout the year the Board engaged in regular spotlight sessions to better understand and challenge how we plan to continue to enhance the customer experience. This included a deep dive into how our enhanced complaints root cause analysis is providing deeper and richer insights into customer experiences and driving improved customer outcomes.

Distribution partners

We work with a community of distribution partners to help deploy our products and services across our diverse markets. These partnerships form an integral part of our business model, providing us with deeper insights and access into our markets.

Feedback from our broker community, through our annual broker barometer and other ad hoc surveys, helps us to identify potential opportunities to further support and enhance our distribution partner experience. During the year we continued to enhance our proposition and optimise our distribution model. This included the launch of our Structured Real Estate proposition, which offers a more bespoke, relationship-led service for complex transactions up to £35 million.

The Executive Committee maintains regular and open dialogue with our growing distribution network, including Chief Executive Officer and Chief Financial Officer attendance at broker meetings and other networking events to hear first-hand what matters most to our partners and end customers.

Feedback from our distribution partners also influences decisions regarding technology investment. For example, we actively requested feedback to obtain the insight needed to extend our Lending Hub platform to all of our Real Estate products. Core features were added to enable quicker decision times, streamlining the underwriting process and enhancing the user experience, while improving operational efficiency. We also redesigned and redeveloped our Real Estate Broker Hub platform during 2024. This initiative was driven by the need to address the significant and increasing levels of broker traffic to ensure a stable, reliable, and resilient platform.

Employees

Our continued success is underpinned by a productive, engaged and talented workforce. The Board is committed to promoting an inclusive culture where our people are motivated to be innovative.

We continue to invest in our broader employee value proposition. During 2024 this included enhancements to our talent development offering in the form of improved learning and development opportunities. We also developed our internal coaching and development offering, with over 500 coaching and mentoring sessions delivered during the year. We continued to build our future talent pool, introducing new cohorts for various Board endorsed initiatives including our Thrive apprenticeship and Institute of Chartered Accountants in England and Wales finance graduate programme.

The Board recognises the importance of ensuring open and honest dialogue with our employees. During 2024, we deployed our bi-annual engagement surveys and maintained ongoing collaboration with our employee-led People Engagement Forum. As well as formal engagement methods, employees are encouraged to have their say and share feedback through various networking events, panel discussions and more.

We also run a formal employee recognition programme that rewards employees for going above and beyond our experience principles of personal, practical and creative. Winners are announced each quarter, with an annual celebratory lunch hosted by Executive Committee members.

Suppliers

Our suppliers include companies that provide the goods and services we rely on to operate as a sustainable business. Our broad community of suppliers have an important role to play in the successful delivery of our operations.

We are committed to developing trusted relationships with high-quality suppliers, who themselves are committed to operating under ethical and environmental standards aligned with our own. We therefore regularly review our supply chain and engage with our supplier community to ensure they are acting responsibly.

The Board receives regular performance updates on material third parties, including management information, performance measures and risk oversight to drive continuous improvement.

The Group upholds a zero-tolerance approach to modern slavery, with the Board approving the Group's Modern Slavery Statement each year. We expect all of our suppliers to be compliant with the Modern Slavery Act and extend our expectations of high business standards to our suppliers by requiring them to uphold human rights, health and safety and legal compliance. We perform due diligence on material suppliers at the start of any contractual relationship and on an annual basis, which includes screening checks for criminal and regulatory breaches.

Regulators

Shawbrook is regulated by both the PRA and FCA. The Board engages with our regulators on a range of topics and is committed to maintaining strong, open and transparent relationships with them.

Throughout the year the Board is kept up to date on key regulatory developments, helping to ensure that the Group's strategy and decision-making aligns with regulatory requirements.

The Group's Chairman and Executive Directors meet with the PRA and FCA regularly to discuss key strategic and conduct-related topics. We also ensure the Board is informed of Management's interactions with regulators through regular financial, risk and regulatory reporting.

Alongside references in management reports, the Group's Chief Risk Officer provides regular updates to the Risk Committee on regulatory engagement and regulatory and legislative horizon scanning.

As well as the PRA and FCA, we work closely with a number of other financial and non-financial regulatory bodies, including the Bank of England and Financial Ombudsman Service.

Investors

Our investors include both our private equity-backed Shareholder and our debt investors.

The interests of our Shareholder are represented at the Board by two appointed Non-Executive Directors. The relationship with our Shareholder is open and transparent. During 2024, our Shareholder and their dedicated teams were actively engaged in the Group's decision-making, allowing our Senior Management team to draw on their expertise as needed. Our Shareholder also contributes different perspectives in the Boardroom, providing insights on various strategic topics. Our Chairman seeks regular engagement with our Shareholder in order to understand their views on governance and performance against our strategy.

We also regularly attend events hosted by our Shareholder, enabling us to share and leverage the expertise of other companies included within their investment portfolios.

The Group's Chief Financial Officer provides regular market updates to the Board to keep Directors informed on changing macroeconomic conditions that may affect wholesale market decisions and wider investor sentiment.

We have an extensive programme for engaging with our debt investors. During 2024, we maintained regular engagements with our debt investor community to discuss topics such as our financial results, progress against our strategy and wholesale debt issuances. Feedback from our debt investors helps shape our communication strategy and provides deeper insights into the capital markets.

Community

Our community stakeholder group includes both our local community and the wider environment.

During the year we refined our approach to community engagement and giving to amplify our social impact. This included realigning our charitable giving parameters to support causes close to our colleagues' hearts and increased engagement through our Make a Difference volunteering days.

We also continued to deliver high-impact programmes with our two strategic charity partners, Saracens Foundation and Future First, helping us to contribute to gender equality and social mobility. To shine a light on the impact we have accomplished with the Saracens Foundation, we hosted a Board spotlight session during the year. Attended by representatives from the Empower Her and Go Forward programmes as well as colleagues, this gave our Board members the opportunity to actively engage with key project stakeholders and hear first-hand about the positive impact these projects are making.

The Board continues to oversee Group-wide integration and execution of our approved sustainability strategy intended to deliver long-term sustainable value for all of our stakeholders. Further details on our community and environmental impact can be found in our Sustainability Report on pages 28 to 44.

Non-financial and sustainability information statement

Our non-financial and sustainability information statement has been prepared in order to comply with the requirements contained in sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross-reference to relevant content.

Reporting requirement	Relevant policies, principles and statements that govern our approach (please see page 48 for a description of each policy)	Information necessary to understand our approach, impact and outcomes	Pages
Our employees	• Code of Conduct and Ethics Policy • Training and Development Policy • Dignity at Work Policy • Speak Up Policy • Group Facilities Policy	Creating value for our stakeholders (S172 statement)	45-46
		Sustainability Report	28-44
		Risk Report	84-153
Our suppliers	• Group Procurement Policy • Third Party Risk Management Policy	Sustainability Report	28-44
		Creating value for our stakeholders (S172 statement)	45-46
		Risk Report	84-153
Environmental matters	• Group Facilities Policy • Group Credit Risk Policy Standards Policy	Sustainability Report	28-44
		Risk Report	84-153
		Climate Report	155-173
Social matters	• Dignity at Work Policy • Equal Opportunities Policy • Sustainability Policy • Complaints Handling Policy	Sustainability Report	28-44
Human rights and modern slavery approach	• Pursuant to the UK Modern Slavery Act, we produce an annual modern slavery statement **shawbrook.co.uk/information/modern-slavery-act/** • Group Procurement Policy	Sustainability Report	28-44
		Creating value for our stakeholders (S172 statement)	45-46
Anti-bribery and corruption	• Anti-bribery and Corruption Policy	Sustainability Report	28-44
		Risk Report	84-153

Reporting requirement	Information necessary to understand our approach, impact and outcomes	Pages
Description of our business model	Strategic Report	1-27
Non-financial key performance indicators	Shawbrook in numbers	Inside cover
	Sustainability Report	28-44
Principal risks and uncertainties	Risk Report	84-153
Climate-related disclosures as required by section 414CB of the Companies Act 2006	Governance arrangements in relation to assessing and managing climate-related risks and opportunities	163-164
	Climate-related risks and opportunities	155-162
	Risk management processes for identifying, assessing and managing climate-related risks	165-168
	Potential impacts on the business model and strategy	155-162
	Targets used to manage climate-related risks and opportunities and performance against those targets	169-173
	Key performance indicators used to assess progress against targets	169-173

In relation to the requirements relating to policies, we have included a summary of all the key policies in the table below.

Policy	Description
Anti-bribery and Corruption	This policy outlines our approach to managing the risk of bribery and corruption and to ensure we conduct business in an honest and ethical manner, taking a zero-tolerance approach to bribery and corruption.
Code of Conduct and Ethics	This policy is intended to assist employees in their daily decision-making, providing guidelines for how to appropriately behave in relation to customers, suppliers and external parties.
Complaints Handling	This policy sets out our aim of ensuring that any complaints received in relation to the service we provide for our customers are handled fairly, effectively, and promptly; thereby minimising the number of unresolved complaints and delivering a fair outcome for our customers.
Dignity at Work	This policy sets out our commitment to creating a work environment free of harassment and bullying, where everyone is treated with dignity and respect.
Equal Opportunities	This policy demonstrates our commitment to equal opportunities in employment and opposition to all forms of unlawful discrimination in employment and against customers.
Group Facilities	This policy sets out our duty as an employer to comply with relevant regulation and legislation under the remit of facilities management and to ensure the health, safety and welfare of all employees and our commitment to improving environmental performance across all our estates.
Group Credit Risk Policy Standards	This policy outlines our approach and appetite to climate-related matters, and wider environmental, social and ethical issues associated with the sectors and customers we support. It sets out when exclusions apply or when enhanced due diligence is required where there is potential for high adverse, environmental, social and/or ethical impact linked to lending proposals.
Group Procurement	This policy provides rules and guidance to ensure that procurement, contracting and supplier management activities meet all regulatory and legal obligations and align with our wider strategy and purpose.
Speak Up	This policy encourages colleagues to disclose information, in good faith and without fear of unfair treatment, when they suspect any illegal or unethical conduct or wrongdoing affecting the Group.
Sustainability	This policy sets out our approach to sustainability and realising opportunities and managing risks across sustainability issues. The purpose is to communicate our sustainability strategy to employees and help to embed this across the organisation.
Training and Development	This policy sets out our approach to encouraging training and development, acknowledging that it helps to improve the Group's performance and contributes to the retention and development of our people.
Third Party Risk Management	This policy contains the relevant rules and guidance to ensure that procurement, contracting and supplier management activities are undertaken in line with relevant regulatory standards.

The Strategic Report was approved by the Board on 26 March 2025 and signed on its behalf by the Chief Executive Officer.

Marcelino Castrillo
Chief Executive Officer

Corporate Governance Report

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Chairman's introduction

"On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2024."



Our commitment to good corporate governance

We maintain high standards of corporate governance within the Group. This report explains how the Board and its Committees have ensured that the corporate governance arrangements within the Group are effective and continue to help support the creation of long-term sustainable value for all our stakeholders.

The Board endorses the Financial Reporting Council's UK Corporate Governance Code 2018 (the Code). Whilst we do not formally adopt the Code, we have reported against the principles and provisions for the 2024 financial year. The Board notes the updated Code, published on 22 January 2024, which came into effect on 1 January 2025 and will be reported on from next year. Further details on our compliance with the Code can be found on page 54.

Board succession planning

Paul Lawrence reached nine years as a Non-Executive Director and Chair of the Risk Committee in August 2024. Following an extensive market search, the Board was pleased to appoint Derek Weir as a Non-Executive Director and Designate Chair of the Risk Committee, from 1 July 2024. Derek brings a wealth of banking experience in both executive and non-executive roles. In order to support an orderly handover of duties, the Board supported the extension of Paul Lawrence's term, as a Member of the Board, until 31 March 2025 and continue to consider him as independent. Paul's contribution to the Board and the Risk Committee has been significant and, on behalf of the Board, I would like to thank him for his service. We continue to monitor the membership of the Board and its Committees to ensure that there is a suitable balance of diversity, skills and experience. Following completion of the handover process, Derek was appointed as Chair of the Risk Committee on 21 January 2025.

Board meetings and activity

In 2024, the Board considered several key areas, which can broadly be categorised into the following themes: strategy and execution, financial performance, risk management, regulatory and corporate governance. Further details on how the Board operated during 2024, including the areas of Board focus, can be found on page 54.

The Board's Committees also continued to play a critical role in the governance and oversight of the Group, by ensuring adherence to strong governance practice and principles. In addition, two Independent Non-Executive Directors, Janet Connor and Lan Tu, continued to ensure Board engagement and oversight through their respective sponsorship of the Consumer Duty and our data-led culture through Model Risk working groups. This section contains a report from each of the Board's principal Committees, setting out their approach and considerations.

Effectiveness and evaluation

Further details on how the Board reviews its effectiveness can be found on page 56.

Purpose, culture and experience principles

The Group's success is reliant on our commitment to maintaining high standards of corporate governance, as well as a strong purpose and a productive, engaged and talented workforce. In support of this, the Board is committed to promoting an inclusive culture where employees are motivated to be innovative and drive long-term sustainable success.

The Board receives updates throughout the year regarding the Group and its stakeholders, including details of our Group-wide employee engagement surveys which were conducted in May and November 2024. In addition, members of the Board attend all-staff calls, site visits, strategy days, and community events.

Looking forward

Our corporate governance priorities for the year ahead will be focused on ensuring continued alignment between our purpose, culture, business and strategy throughout our governance framework.

John Callender
Chairman

Board of Directors



John Callender
Chairman

R N

Appointed to the Board in March 2018.

Skills and experience
John brings extensive financial services experience to the Board, gained through both his Executive and Non-Executive careers. John has previously served as Interim Chair and Chair of the Risk Committee on the Board of Aldermore Group plc, for six years, Chair of the trade body; the Finance and Leasing Association, Non-Executive Director of Motability Operations plc, Non-Executive Chair of ANZ Bank Europe Ltd, and Senior Independent Director and Chair of the Risk Committee of FCE Bank plc. John also sat on the Regulatory Decisions Committee for the Financial Conduct Authority for six years.

External appointments
None.



Marcelino Castrillo
Chief Executive Officer

Appointed to the Board in June 2021.

Skills and experience
Marcelino brings a wealth of experience in financial services, most recently he was Managing Director, Customer Engagement & Distribution at NatWest Group where he led 9,000 employees through an ambitious transformation programme. Prior to that, he held senior roles at Royal Bank of Scotland and Santander, leading Commercial Banking franchises. He started his career at The Boston Consulting Group working across a number of industries and countries. Marcelino holds an MBA from MIT Sloan School of Management, MS Industrial Engineering (ETSII, Madrid) and a Bachelor in Physics (U. Complutense, Madrid).

External appointments
None.



Dylan Minto
Chief Financial Officer

Appointed to the Board in February 2017.

Skills and experience
Dylan joined Shawbrook in 2013 from KPMG LLP, where he spent 11 years in their Financial Services practice advising large UK and European banks. Dylan was appointed Chief Financial Officer in February 2017. He is a Fellow of the ICAEW and holds a dual BA Honours degree in German and Business Studies from Sheffield University.

External appointments
None.



Lan Tu
Senior Independent Director

A RI R N

Appointed to the Board in March 2022.

Skills and experience
Lan has over 30 years' experience in financial services, starting her career at McKinsey & Co, before holding a number of executive positions at American Express, Standard Life Aberdeen and Virgin Money Investments. Between 2015 and 2021 Lan was also a Non-Executive Director of Arrow Global plc. She has a particular depth of experience in payments, digital/technology and organisational design.

External appointments
Lan is a Non-Executive Director of WNS Holdings Limited and Kings College London University and is the Senior Independent Director of Paypoint plc. Until recently, Lan was also an advisor to the Board of Mental Health @Work, a company that promotes mental health in the workplace.

A Audit Committee | RI Risk Committee | R Remuneration Committee | N Nomination and Governance Committee | Committee Chair



Andrew Didham

Independent Non-Executive Director

A RI N

Appointed to the Board in February 2017.

Skills and experience

Andrew has extensive financial services experience. He is a fellow member of the Institute of Chartered Accountants, having enjoyed a successful career at KPMG LLP, becoming a partner in 1990, and subsequently as Group Finance Director of the international Rothschild investment banking group.

External appointments

Andrew is currently an Executive Vice-Chairman for Rothschild and Non-Executive Director of each of IG Group Holdings plc, IG Index Limited, IG Markets Limited, IG Trading and Investments Limited and Non-Executive Chairman of GCP Infrastructure Ltd.



Paul Lawrence

Independent Non-Executive Director

A RI R N

Appointed to the Board in August 2015.

Skills and experience

Paul has considerable experience in financial services having had a successful career within HSBC Group. Paul has particular strengths in managing risk and internal audit across a number of business lines and previously served as a member on the IIA Committee for Internal Audit Guidance for Financial Services.

External appointments

Paul is currently the Chairman of HSBC Bank Turkey and Independent Non-Executive Director of HSBC Middle East Holdings B.V. and HSBC Bank Middle East Ltd.

Paul completed his nine-year tenure, as a Board Member, in August 2024. Following approval from the PRA, Paul's contract was extended until the 31 March 2025 to ensure a smooth handover with the incoming Risk Committee Chair.



Michele Turmore

Independent Non-Executive Director

A RI R N

Appointed to the Board in October 2019.

Skills and experience

Michele has comprehensive experience in operations, transformation, IT and distribution leadership, with focus on the customer. She has operated across blue chip, mid-scale and start-up entities, including private equity backed banks. Michele previously held Executive and Chief Operating Officer roles at a number of banks, including Lloyds TSB, Harrods and Allica.

External appointments

Michele is currently a Non-Executive Director and the Risk Committee Chair of Davies Broking Services Limited, Davies MGA Services Limited and Davies Intermediary Support Services Limited and a Non-Executive Director, and Chair of the Remuneration Committee of Northern Bank Limited.



Janet Connor

Independent Non-Executive Director

A RI N

Appointed to the Board in May 2022.

Skills and experience

Janet has over 30 years experience in consumer-facing financial services, latterly in insurance. Starting her career at Abbey National (now Santander), she went on to hold a number of Managing Director positions at RIAS plc, Royal & Sun Alliance (in its More Than business) and most recently The AA Group, where she was Managing Director of AA Insurance Services Ltd.

External appointments

Janet is a Non-Executive Director and Chair of AA Insurance Services Limited.

A Audit Committee | RI Risk Committee | R Remuneration Committee | N Nomination and Governance Committee | Committee Chair



Derek Weir

Independent Non-Executive Director

A RI R N

Appointed to the Board in July 2024.

Skills and experience

Derek has over 35 years of financial services experience in corporate and commercial banking, both in the UK and internationally, including senior leadership roles at Royal Bank of Scotland and Barclays, with deep expertise in business growth and transformation across multiple sectors, including financial services, retail, construction, transport and sport.

External appointments

Derek has held a number of Non-Executive roles including Chair of the Board Risk Committee and Senior Independent Director at the Co-operative Bank. Derek has invested in a number of early-stage companies and is currently a Director of Halo Urban Regeneration Limited.



Lindsey McMurray

Institutional Director

A RI R N

Appointed to the Board in April 2010.

Skills and experience

Lindsey has been a private equity investor for 25 years, with a particular focus on the financial services sector. She has a First-Class Honours degree in Accounting and Finance and studied for a Master of Philosophy in Finance at Strathclyde University.

External appointments

Lindsey is Managing Partner of Pollen Street Capital and is Chair of their Investment Committee. Lindsey is also a Non-Executive Director of several portfolio companies.



Cédric Dubourdieu

Institutional Director

A RI R N

Appointed to the Board in September 2017.

Skills and experience

Cédric has 24 years of private equity experience, having led several investments in a variety of sectors across Europe. He holds a degree from Ecole Polytechnique, Paris.

External appointments

Cedric is a Partner of private equity firm BC Partners and sits on BC Partners' Investment Committee. BC Partners is an affiliate of Marlin Bidco Limited of which Cédric is also a Director. Cédric is also a Board member of Iqera the French leader of credit management services, a Board member of Davies Group, a leader in professional services to the insurance sector and other regulated industries and a Board member of Havea, the leading European natural healthcare player.



Andrew Nicholson

Company Secretary

Appointed as Company Secretary in January 2023.

Skills and experience

Andrew has over 20 years experience in corporate governance roles. Andrew has previously held Head of Corporate Governance roles at Revolut and Ulster Bank and was Assistant Company Secretary of the Royal Bank of Scotland/NatWest Group.

External appointments

None.

A Audit Committee | RI Risk Committee | R Remuneration Committee | N Nomination and Governance Committee | Committee Chair

Corporate governance

This report explains the Board's role and activities and how corporate governance operates throughout the Group.

The UK Corporate Governance Code

The Company is no longer considered a listed entity (since delisting in 2017) and is not required to adopt the 'comply or explain' approach of the Code published by the Financial Reporting Council. However, the Company recognises the value of a strong approach to corporate governance and, whilst not formally adopting the Code, has again elected to report against the principles and provisions within the Code for the financial year.

The Company has complied with all the principles and provisions of the Code throughout the financial year and up until the date of this report, except as explained below.

Audit, Risk and Remuneration Committee Membership (Code Provisions 24, 25 and 32)

The membership of these Committees comprises a majority of Independent Directors, however two Institutional Directors are also members. A Memorandum of Understanding between the Group and its Shareholder makes it clear that the Shareholder expects these Committees to retain the independence and autonomy necessary to carry out their respective responsibilities under their applicable terms of reference.

Shareholding requirement for Directors (Code Provision 36)

The Group has not adopted a formal policy regarding post-employment shareholding requirements for Directors given leaver provisions in existing incentive arrangements.

Executive pensions (Code Provision 38)

Executive Directors may participate in the Group's workplace pension arrangement or receive a cash allowance in lieu (in full or part) of pension contributions. Each Executive Director currently receives a pension contribution and/or allowance to a combined value of 15% (8% wider workforce with no cash equivalent) of salary per annum. The remuneration approach is reviewed each year and consideration is given to market practice and industry guidance.

The Board

The Board takes account of the views of the Group's Shareholder, Marlin Bidco Limited, and has regard to wider stakeholder interests and other relevant matters in its discussions and decision-making. The Board recognises that stakeholders' interests are integral to the promotion of the Group's long-term sustainable success. Further information about how the Board considers the interests of its stakeholders can be found on pages 45 to 46.

A Framework Agreement is in place with the Shareholder which includes a formal schedule of matters reserved for the Board and those matters which require recommendation to the Shareholder for approval. This document is supported by a Memorandum of Understanding, which preserves the Board's independence when making significant decisions. The Board delegates specific powers for some matters to Board Committees, with the outputs from each Committee meeting reported to the Board regularly, thus ensuring the Board maintains the necessary oversight. More detail on the Committees and their work is described in the separate Committee reports on pages 64 to 80.

Composition, Board balance and time commitment

The Board currently consists of 11 members, namely the Chairman, six Independent Non-Executive Directors, two Executive Directors and two Institutional Directors. Biographical details of all Directors are on pages 51 to 53. The Board will revert to 10 members following Paul Lawrence's retirement in March 2025.

The Independent Non-Executive Directors have substantial experience across all aspects of banking, including relevant skills in financial management, regulatory matters, credit assessment and pricing, liability management, technology, operational and conduct matters. The Independent Non-Executive Directors are considered to be of sufficient calibre and experience to influence the decision-making process.

The Board considers that the balance of skills and experience is appropriate to the requirements of the Group's business and that the balance between Executive and Independent Non-Executive Directors allows it to exercise objectivity in decision-making and proper control. Each member of the Board has had access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that governance procedures are followed) and, as required, external advice at the expense of the Group.

The Board, with the assistance of the Nomination and Governance Committee, keeps under review the structure, size, and composition of the Board (and undertakes regular evaluations to ensure it retains an appropriate balance of skills, knowledge and experience). The membership of the various Board Committees and the expected time commitment of the Directors is closely monitored.

The terms of appointment of the Independent Non-Executive Directors specify the amount of time they are expected to devote to the Group's business. They are currently required to commit at least four days per month, which is calculated based on the time required to prepare for, and attend, Board and Committee meetings, meetings with the Shareholder and with Executive Committee and training.

Meetings and attendance

The Board holds joint meetings of Shawbrook Group plc and Shawbrook Bank Limited, the Group's principal subsidiary, at regular intervals, at which standing items such as the Group's financial and business performance, risk, compliance, human resources, and strategic matters are reviewed and discussed. A comprehensive Board pack including an agenda is circulated beforehand allowing Directors to consider the issues to be discussed. Detailed minutes and any actions arising out of discussions are documented.

The Board and its Committees held a number of scheduled meetings during 2024 at which senior executives, external advisors and independent advisors were invited, as required, to attend and present on business developments and governance matters. In addition, a Board Strategy Day was held in November 2024. The Company Secretary and/or his deputy attended all Board meetings and he, or his nominated deputy, attended all Board Committee meetings. The table opposite sets out the attendance by Directors at scheduled Board and Board Committee meetings during 2024.

Number of scheduled meetings attended[1]

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination and Governance Committee
John Callender (Chair)[2]	7/7	5/5	5/6	4/4	3/3
Marcelino Castrillo[3]	7/7	4/5	6/6	4/4	3/3
Dylan Minto	7/7	5/5	6/6	–	–
Lan Tu[4]	7/7	4/5	6/6	4/4	3/3
Janet Connor	7/7	5/5	6/6	–	3/3
Lindsey McMurray[5]	7/7	4/5	4/6	3/4	2/3
Cédric Dubourdieu[6]	6/7	2/5	3/6	2/4	2/3
Paul Lawrence	7/7	5/5	6/6	4/4	3/3
Andrew Didham[7]	7/7	5/5	5/6	–	2/3
Michele Turmore[8]	7/7	5/5	6/6	3/4	3/3
Derek Weir[9]	4/4	2/2	3/3	1/1	1/1

The attendance above reflects the number of scheduled Board and Committee meetings held during 2024. During the year there were also a number of ad-hoc Board and Committee meetings to deal with matters arising outside of the usual meeting schedule. The majority of Directors made themselves available at short notice for these meetings.

- John Callender, Marcelino Castrillo, and Dylan Minto are not Members of the Audit and Risk Committees but attend the Committee meetings.
- Marcelino Castrillo is not a Member of the Remuneration and Nomination and Governance Committees but attends the Committee meetings.

1 Meetings were held from January to December 2024.
2 Due to other commitments, John Callender was unable to attend one Risk Committee meeting throughout the year.
3 Due to other commitments Marcelino Castrillo was unable to attend one Audit Committee meeting throughout the year.
4 Due to other commitments, Lan Tu was unable to attend one Audit Committee meeting throughout the year
5 Due to other commitments Lindsey McMurray was unable to attend one Audit Committee meeting, two Risk Committee meetings, one Remuneration Committee meeting, and one Nomination and Governance Committee meeting throughout the year.
6 Due to other Commitments, Cedric Dubourdieu was unable to attend one Board meeting, three Audit Committee meetings, three Risk Committee meetings, two Remuneration Committee meetings, and one Nomination and Governance Committee meeting throughout the year.
7 Due to other commitments, Andrew Didham was unable to attend one Risk Committee meeting and one Nomination and Governance Committee meeting throughout the year.
8 Due to other commitments, Michele Turmore was unable to attend one Remuneration Committee meeting throughout the year.
9 Derek Weir was appointed to the Shawbrook Group plc Board and the Shawbrook Bank Limited Board in July 2024 and was eligible to attend four of seven Board meetings, two of five Audit Committee meetings, three of six Risk Committee meetings, one of four Remuneration Committee meetings and one of three Nomination and Governance Committee meetings, all of which were attended.

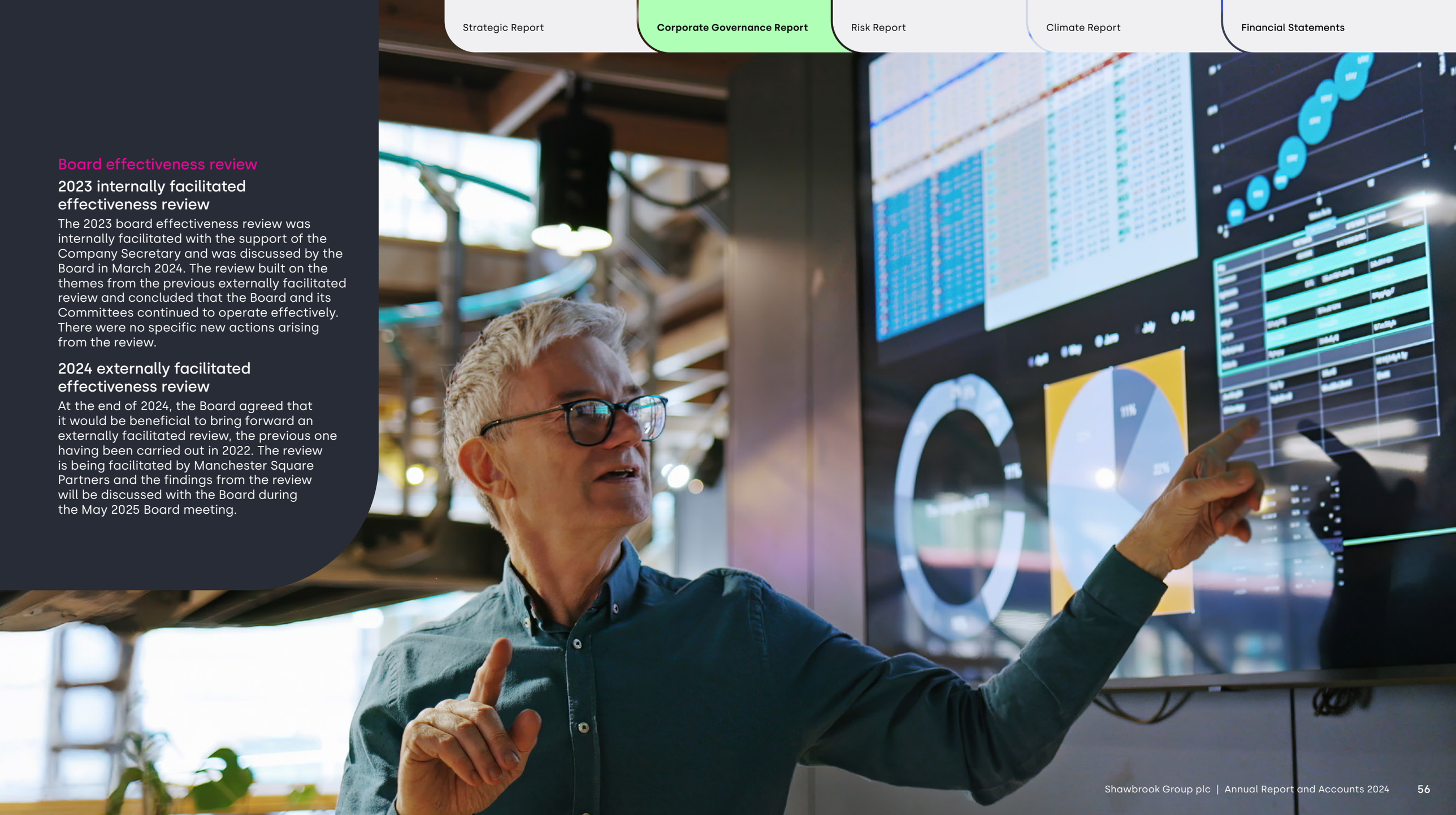
Board effectiveness review

2023 internally facilitated effectiveness review

The 2023 board effectiveness review was internally facilitated with the support of the Company Secretary and was discussed by the Board in March 2024. The review built on the themes from the previous externally facilitated review and concluded that the Board and its Committees continued to operate effectively. There were no specific new actions arising from the review.

2024 externally facilitated effectiveness review

At the end of 2024, the Board agreed that it would be beneficial to bring forward an externally facilitated review, the previous one having been carried out in 2022. The review is being facilitated by Manchester Square Partners and the findings from the review will be discussed with the Board during the May 2025 Board meeting.



Structure of the Board, Board Committees and Executive Committee

The diagrams on pages 57 to 58 summarise the role of the Board, its Committees and the separate responsibilities of the Chairman, the Senior Independent Director, the Non-Executive Directors, the Chief Executive Officer, and the Executive Committee. The Board and Board Committees have unrestricted access to the Executive Committee to help discharge their responsibilities. The Board and Board Committees are satisfied that, in 2024, sufficient, reliable, and timely information was received to enable them to perform their responsibilities effectively. Each Committee plays a vital role in helping the Board to operate efficiently and consider matters appropriately. At the end of 2024 a review was carried out to confirm the extent to which the Committees complied with their terms of reference throughout the year. The review concluded that each of the Committees had materially complied with their terms of reference. The Board Committees' terms of reference can be found at: **shawbrook.co.uk/about-us/investors/corporate-governance/**

Board

Leadership
The Board has clear divisions of responsibility and seeks the long-term sustainable success of the Group.

Stakeholder engagement
The Board organises and directs the Group's affairs in a way that it believes will help the Group succeed for the benefit of its Shareholder and in consideration of the Group's wider stakeholders. More information about the Group's stakeholders can be found on pages 45 to 46.

Operations
The Board supervises the Group's operations, with a view to ensuring that they are effectively managed, that effective controls and IT systems are in place and that risks and operational resiliency are assessed and monitored appropriately.

Financial performance
The Board sets the financial plans, annual budgets and key performance indicators and monitors the Group's results and levels of capital and liquidity against them.

Strategy
The Board oversees the development of the Group's strategy, and monitors performance and progress against the strategic aims and objectives.

Culture and Purpose
The Board develops and promotes the collective vision of the Group's purpose, culture, values, and behaviours.

Information and support
The Board accesses assistance and advice from the Company Secretary. The Board may seek external independent professional advice at the Company's expense, if required to discharge its duties.

Board committees

Audit Committee
- Monitors the integrity of the Group's external financial reporting, including review and challenge of the critical accounting estimates and judgements.
- Oversees and challenges the effectiveness of the Group's financial controls.
- Monitors the work and effectiveness of the Group's internal and external auditors.
- Ensures whistleblowing policies remain adequate and effective to support and encourage employees to raise confidentially any concerns of impropriety.

Risk Committee
- Provides oversight and advice to the Board in relation to current and potential future risk exposures of the Group and the future risk strategy, including determination of risk appetite and tolerance.
- Responsible for reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group.

Remuneration Committee
- Oversees how the Group implements its remuneration policy.
- Monitors the level and structure of remuneration arrangements for the Board, Executives and material risk takers, approves share incentive plans and recommends them to the Board and Shareholder.

Nomination and Governance Committee
- Reviews the Board's structure, size, composition, and balance of skills, experience, independence and knowledge of the Directors.
- Leads the process for Board appointments and Senior Management Function holder appointments and makes recommendations to the Board.
- Oversees and ensures that adequate provision is made for succession planning.
- Oversees and monitors the corporate governance framework of the Group.
- Reviews and monitors the Group's approach to subsidiary governance.

Board and Executive Committee roles

Each Director brings different skills, experience and knowledge to the Group, with the Non-Executive Directors contributing additional independent thought and judgement. There is a clear division of responsibilities between the Chairman, Senior Independent Director, Non-Executive Directors and Chief Executive Officer, and a summary of these responsibilities can be found at **shawbrook.co.uk/investors**. Their roles have been clearly defined in writing and agreed by the Board.

Chairman

- Guides, develops and leads the Board, ensuring its effectiveness in all aspects of its role as well as being responsible for its governance.
- Helps to ensure effective communication and information flows with the Group's stakeholders (such as employees, regulators and investors).
- Sets the tone for the Group and ensures effective relationships between Management, the Board and stakeholders.
- Helps to ensure effective communication and flow of information between Executive and Non-Executive Directors.
- Chairs the Board and Nomination and Governance Committee.

Senior Independent Director

- Acts as a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary.
- Is available to the Shareholder if they have any concerns, which the normal channels of Chairman, Chief Executive Officer or other Executive have failed to resolve, or for which such contact is appropriate.
- Leads the planning for the succession of the Chairman of the Board.
- Meets with the other members of the Board to appraise the Chairman's performance.
- Provides feedback to the Chairman, Shareholder and Executive Directors on the Non-Executive Directors' views.

Non-Executive Directors

- Provide constructive challenge to the Executive Committee and bring experience to the Board's discussions and decision-making.
- Monitor the delivery of the Group's strategy against the governance, risk and control framework established by the Board.
- Ensure the integrity of financial information and ensure that the financial controls and systems of risk management are effective.
- Led by the Senior Independent Director, the Non-Executive Directors are also responsible for evaluating the performance of the Chairman and Senior Management.

Chief Executive Officer

As authorised by the Board, the Chief Executive Officer manages the Group's day-to-day operations and delivers its strategy. The Chief Executive Officer delegates certain elements of his authority to members of the Executive Committee to help ensure that senior management are accountable and responsible for managing their respective businesses and functional units. The Chief Executive Officer chairs the Executive Committee, which meets no less than three times a month.

Executive Committee

The Executive Committee is responsible for developing the business and delivering against a Board approved strategy, putting in place effective monitoring, control mechanisms and setting out a framework for reporting to the Board.

Chief Executive Officer	Chief of Staff	Chief Risk Officer	Chief Technology Officer	Chief Financial Officer	Chief Banking Officer – Commercial	Chief Banking Officer – Retail	General Counsel	Chief People and Marketing Officer

Executive Committee

The Board delegates daily management responsibility for the Group to the Chief Executive Officer, who discharges this responsibility through the Executive Committee. The Executive Committee is responsible for developing the business and delivering against a Board approved strategy, putting in place effective monitoring, control mechanisms and setting out a framework for reporting to the Board.

There are currently nine members of the Executive Committee, (including the Chief Executive Officer) and their biographical details can be viewed on the Group's website at **shawbrook.co.uk/about-us/investors/corporate-governance**

To discharge its duties, the Executive Committee has operated seven Executive Level Committees. Details of these Executive Level Committees and their responsibilities are set out below.

Sustainability Sub-Committee

Purpose: The Sustainability Sub-Committee has the primary responsibility for overseeing the development, implementation and monitoring of the Group's sustainability strategy. It reports and escalates to the Executive Committee, which appoints its members.

Frequency and membership: The Sustainability Sub-Committee meets on a quarterly basis and is chaired by the Chief of Staff. Other key members are the Senior Sustainability Manager, Chief Prudential Risk Officer, Group Company Secretary, Group Marketing Director, Deputy Chief Financial Officer and Talent and D&I Lead.

Senior Managers and Certification Regime (SM&CR) Sub-Committee

Purpose: The SM&CR Sub-Committee has the primary responsibility for overseeing the management and operation of the Senior Managers & Certification Regime framework for Shawbrook Bank Limited (the Bank). It reports, and escalates, to the Executive Committee, which appoints its members.

Frequency and membership: The SM&CR Sub-Committee meets on a six-weekly basis and is chaired by the Head of Conduct with membership comprising the Chief Compliance Officer, Group Company Secretary, Group Head of Reward and Senior Compliance Manager.

Assets and Liabilities (ALCo) Sub-Committee

Purpose: The Assets and Liability Sub-Committee oversees asset, liability and other solvency risks, specifically market risk, treasury wholesale credit risk, liquidity risk and capital risk.

Frequency and membership: The Asset and Liability Sub-Committee meets monthly and is chaired by the Chief Financial Officer, or either of the Chief Executive Officer or Chief Risk Officer as their alternate, each of whom are members. Other key members are the Deputy Chief Financial Officer, Group Treasurer, Head of Financial Planning and Analysis, Head of Financial Control and Reporting and Head of Market and Liquidity Risk.

Commercial Product Sub-Committee

Purpose: The Commercial Product Sub-Committee has the primary responsibility for overseeing the design, development and ongoing management and monitoring of the Bank's products intended for customers within the Commercial franchise. It reports and escalates to the Executive Committee, which appoints its members. In the case of new products, material product variations, product withdrawals and escalations from annual product reviews, the Sub-Committee reports and escalates direct to the Executive Committee via the Chief Banking Officer for Commercial.

Frequency and membership: The Commercial Product Sub-Committee meets monthly and is Chaired by the Chief Banking Officer – Commercial. Other key members include the Commercial Risk Director, the Head of Product, the Director of Delivery and Head of Financial Planning and Analysis.

Retail Product Sub-Committee

Purpose: The Retail Product Sub-Committee has the primary responsibility for overseeing the design, development and ongoing management and monitoring of the Bank's products intended for customers within the Retail Franchise. It reports and escalates to the Executive Committee, which appoints its members. In the case of new products, product variations, product withdrawals and escalations from annual product reviews, the Sub-Committee reports and escalates to the Executive Committee via the Chief Banking Officer for Retail.

Frequency and membership: The Retail Product Sub-Committee meets monthly and is Chaired by the Managing Director – Retail and the Commercial Director – Retail Mortgages. Other key members are the Chief Banking Officer – Retail, the Retail Risk Director, the Retail Strategy Director and Managing Director – Retail Mortgages.

Product Sub-Committee

Purpose: The Product Sub-Committee has the primary responsibility for reviewing, discussing and approving spending of budget towards product or technology initiatives. The Sub-Committee reports and escalates to the Executive Committee, which appoints its members.

Frequency and membership: The Product Sub-Committee meets on a weekly basis and is chaired by the Chief Technology Officer. Other key members include the Deputy Chief Financial Officer, and the Chief Prudential Risk Officer.

Executive Risk Committee

Purpose: The Executive Risk Committee has the primary responsibility in overseeing the implementation of the Group's risk appetite and establishment of appropriate systems and controls to oversee/manage the following risks: Credit, Strategic, Market, Liquidity & Capital, Operational Risk & Resilience, Technology & Cyber, Conduct, Compliance & Regulatory, Financial Crime, Model and Climate.

Frequency and membership: The Executive Risk Committee meets on a monthly basis and is chaired by the Chief Risk Officer. Other key members include the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Chief Banking Officer – Commercial and the Chief Banking Officer – Retail.

Board meetings and activity in 2024

Board meetings

The activities undertaken by the Board in 2024 were intended to help promote the long-term sustainable success of the Group.

The scheduled Board meetings focused on five main themes in 2024:

- **Strategy and execution,** including approving and overseeing the Group's key strategic targets and monitoring the Group's performance against these targets; reviewing and approving key projects aimed at developing the business; and reviewing the strategy of individual businesses.
- **Financial performance,** including setting financial plans, annual budgets and key performance indicators and monitoring the Group's results against them; approving financial results for publication; and monitoring and approving the approach to the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).
- **Risk management, regulatory and other related governance,** including reviewing and agreeing the Group's key policies; scanning for future risks; setting risk appetites; reviewing the Group's solvency position and forecast; and monitoring the Group's approach to financial crime and climate change. The Board also approved the approach to the Recovery Plan and Resolution Pack. Additionally, the Board continued to review customer data which supported embedding of the Consumer Duty.
- **Spotlights,** including deep dives on different parts of the business as well as sessions on customer insights, technology change, digital roadmap and the Saracens Foundation.
- **Board and Board Committee governance,** including receiving reports and escalations from the Board's Committees and reviewing the terms of reference for the Committees.

In addition to routine business, the Board considers and discusses key issues that impact on the business as they arise. Members of the Executive team spend a considerable amount of time with the different franchises and business functions, ensuring that the Board's strategy is being implemented effectively throughout the Group, and that our employees' views and opinions are reported back to the Board and Board Committees.

Conflicts of interest

All Directors have a duty to avoid situations that may give rise to a conflict of interest (in accordance with Section 175 of Companies Act 2006). Formal procedures are in place to deal with this. Directors are responsible for notifying the Chairman and the Company Secretary as soon as they become aware of any actual or potential conflict of interest for discussion. This will then be considered by the Board, which will take into account the circumstances of the conflict when deciding whether to permit it (and whether to impose any conditions). Any actual or potential conflicts of interest are recorded in a central register which the Board formally reviews on a six-monthly basis and Directors are also required, on an annual basis, to confirm that they are not aware of any circumstances that may affect their fitness and propriety, and therefore their ability, to continue to serve on the Board. In addition, Directors are required to seek the Board's approval of any new appointments or material changes in external commitments.

Board Strategy Day

The Board sets aside time each year outside the annual Board calendar to give the Directors the opportunity to focus solely on strategic matters relating to the Group. In November 2024, the Board, the Executive Committee and representatives of the Shareholder met to discuss key themes on the financial plans of the Group, the competitive landscape, inorganic opportunities and the Group's future strategy.

Board effectiveness review

During the reporting period, an externally facilitated Board effectiveness review was begun, focusing on Board and Board Committee performance in 2024. More information about this review can be found on page 56.



Induction, training and professional development

On appointment, all new Directors receive a comprehensive and tailored induction, having regard to any previous experience they may have as a director of a financial services company. The Group also provides additional induction materials and training for those Directors who are also Committee Chairs. The content of our Director induction programmes are tailored, with input from the new Director. The induction information is delivered in a variety of formats, including face to face meetings with the Chairman, Board Directors, the Executive Committee and key employees, and input from external advisers as appropriate. This is supplemented by the provision of key governance documents as reading material, including policies, procedures, Board and Committee minutes, the Board meeting schedule, the Group structure chart, the FCA Handbook, regulatory codes/requirements and information on directors' duties and responsibilities under the Companies Act 2006 and other relevant legislation. Following his appointment, Derek Weir completed his induction on 16 January 2025. More information can be found on page 80.

An ongoing programme of training is available to all members of the Board, which includes professional external training and bespoke Board training on relevant topics such as regulatory and governance developments, changes to the Companies Act 2006 or accounting requirements. Directors are also encouraged to devote an element of their time to self-development, including attendance at relevant external seminars and events. This is in addition to any guidance that may be given from time to time by the Company Secretary.

Each year an annual Board training schedule is agreed. In 2024, the Board received training in respect of Sustainability, AI, and the Senior Managers and Certification Regime.

The Chairman is responsible for reviewing the training needs of each Director and for ensuring that Directors continually update their skills and knowledge of the Group. All Directors are advised of changes in relevant legislation, regulations and evolving risks, with the assistance of the Group's advisers where appropriate.

The Board receives detailed reports from the Executive Committee on the performance of the Group at its meetings and other information as necessary. Regular updates are provided on relevant legal, corporate governance and financial reporting developments. The Board frequently reviews the actual and forecast performance of the business compared against the annual plan, as well as other key performance indicators.

Risk management and system of internal controls

The Board has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness. The Audit Committee and Risk Committee have been in operation throughout the relevant period and oversee the Group's system of internal controls. Material risk or control matters are reported by the Audit Committee and Risk Committee to the Board. The Board monitors the ongoing process by which top risks affecting the Group are identified, measured, managed, monitored, reported and challenged. This process is consistent with both the Group Risk Management Framework and with internal controls, and related financial and business reporting guidance issued by the Financial Reporting Council.
The key elements of the Group's system of internal controls include regular meetings of the Executive Committee and risk governance Committees, together with annual budgeting and monthly financial and operational reporting for all businesses within the Group. Conduct and compliance are monitored by Management, the Group Risk function, Internal Audit and, to the extent it considers necessary to support its audit report, the external auditor.

The Board assesses the effectiveness of the Group's system of internal controls (including financial, operational and compliance controls and risk management systems) based on:

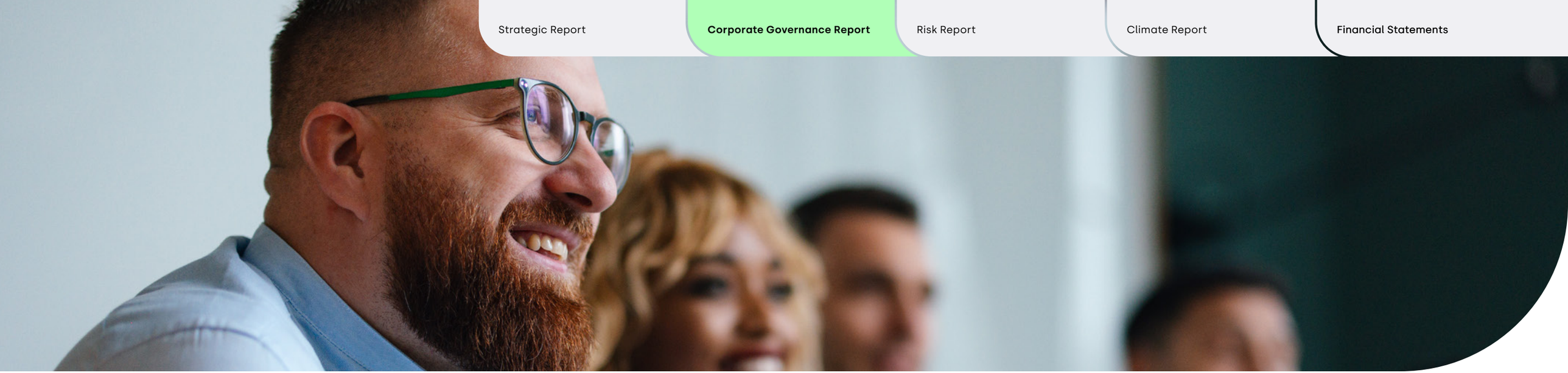
- established procedures, including those already described, which are in place to manage perceived risks;
- reports from the Executive Committee to the Audit Committee and Risk Committee on the adequacy and effectiveness of the Group's system of internal controls and significant control issues;
- under the direction of the Chief Risk Officer, the continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives; and
- reports from the Audit Committee on the results of Internal Audit reviews and work undertaken by other departments.

The Group's system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of, and benefit from, the system of internal controls. During 2024, the Group continued to strengthen its risk management and internal controls capability to ensure that it remained relevant, appropriate and scalable to support the Group's objectives over the duration of the strategic plan and continued to invest further in its risk management capability.

Lines of responsibility and delegated authorities are clearly defined. The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit Committee and Risk Committee receive reports on a regular basis on compliance with the Group's policies and procedures.

Shawbrook Bank Limited (the principal operating subsidiary of the Group) is subject to regulation by the PRA and the FCA and as such undertakes an ILAAP and ICAAP on an annual basis. The ICAAP process involves an assessment of all the risks that the Group faces, in its operating environment, the likelihood of those risks crystallising, their potential materiality and the effectiveness of the control framework in mitigating each risk. This includes a thorough evaluation of how the Group would be impacted by severe, but plausible, periods of stress in its stress testing programme.

The purpose of the process is to establish the level and quality of capital resources that the business should maintain, both under current market conditions and under a range of stressed scenarios, to ensure that financial resources are sufficient to successfully manage the effects of any risks that may crystallise.



Cyber resilience

The Group recognises the importance of cyber resilience. The Board oversees the Group's cyber resilience approach and the level of investment into cyber security, providing robust challenge and scrutiny to ensure that the Group is adequately mitigating the threats it faces. The Board recognises that specialist knowledge is required in this area and therefore seeks relevant advice from third parties where appropriate. The cyber resilience strategy is routinely monitored by the Risk Committee and reviewed by the Board across a series of engagements throughout the year. These engagements consider the latest cyber threat intelligence assessments, the specialist nature of cyber threats, any outsourcing risks faced by the Group in this area and the protective controls we have in place via our Adaptive Security Architecture. This ensures that the strategy remains fit for purpose to combat the potential cyber threats the Group may face.

Remuneration

The Board has delegated responsibility to the Remuneration Committee for the remuneration arrangements of the Group's Executive Directors, certain individuals considered to be 'material risk takers' and the Group's Chairman. You can find out more about this in the Directors' Remuneration Report which starts on page 72.

Relationship with Marlin Bidco Limited (the 'Shareholder')

The Group is committed to maintaining a constructive relationship with the Shareholder, whilst not compromising the independence of the Board.

The Chief Executive Officer, Chief Financial Officer and other members of the Executive Committee meet with the Shareholder and their representatives on a regular basis outside of Board and Committee meetings. The Shareholder also meets with the Chairman and has the option to meet with other Non-Executive Directors on request.

To ensure that governance arrangements with the Shareholder are formalised, a Framework Agreement and Memorandum of Understanding, outlining the responsibilities of each party, was established. The Framework Agreement ensures that information flows are clear, that the independent judgement of the Board is not impacted and that the Board retains its oversight of the business in respect of strategy, performance, risk appetite and assessment of the control framework and governance arrangements. The Memorandum of Understanding seeks to support and protect the independence of the Board, particularly in relation to the appointment of Non-Executive Directors to the Board and its Committees. As set out in the Framework Agreement, the Shareholder has appointed two Directors to the Board, both of whom are considered Institutional Directors.

The Group recognises the importance of ensuring effective communication with all of its stakeholders. This report, together with a wide range of other information, including financial reports and regulatory announcements are made available on the Investor section of the Group's website at **shawbrook.co.uk/about-us/investors/**

Other Committees

The Board has delegated authority to its principal Committees to carry out certain tasks as defined in each Committee's respective terms of reference. The written terms of reference in respect of the Audit, Risk, Remuneration and Nomination and Governance Committees are available on the Group's website. In addition to the principal Committees, the Board is supported by the work of the Disclosure Committee and the Acquisitions and Divestments Committee, which meet on an as needed basis.

Annual General Meeting

Shawbrook Group plc's Annual General Meeting will be held on 20 May 2025.

Audit Committee Report

"I am pleased to present the Audit Committee Report, which describes the work undertaken by the Committee to discharge its responsibilities. The Committee and its members bring together a diverse range of experience across multiple disciplines including finance, audit, risk and the business, with many years of experience operating across the financial services sector."



The Committee's annual work plan is framed around the Group's financial reporting cycle, which ensures that the Committee considers all matters delegated to it by the Board.

In discharging these responsibilities, the Committee has spent time considering the impacts on credit risk as a result of changes in inflation and interest rates and on the critical accounting and auditing judgements. The Committee has considered the Group's governance of its expected credit losses model and continues to review all new guidance issued to ensure transparency in the financial statements.

The Committee continues to focus on the issues relevant to the Group's financial reporting and considers emerging trends and best practice. This includes overseeing the effectiveness of the Group's internal control framework to ensure it remains robust and fit for purpose, with particular focus given to its IT control environment. In addition, the Committee has considered, and continues to closely monitor, developments relating to future audit and corporate governance reform.

Andrew Didham
Chair of the Audit Committee

26 March 2025

Main activities during the year

Throughout the year, the Committee discussed a range of topics including financial reporting, internal controls and financial risk management, internal audit, external audit and whistleblowing (Speak Up) as detailed below.

Financial reporting

The Committee considered the integrity of the Group's financial statements and all external announcements in relation to its financial performance. In 2024, this included the Group's 2023 Annual Report and Accounts and the 2024 Interim Financial Statements. Significant financial reporting issues and judgements were considered together with any significant accounting policies and proposed changes to them.

Membership, attendance, and responsibilities of the Committee can be found on pages 55 and 57.

The terms of reference for the Committee can be found on the Group's website at: **shawbrook.co.uk/investors/**



Significant areas of judgement

During 2024, the key judgement areas were largely unchanged from the previous year. This reflects the consistency of the Group's approach to financial reporting and that there were no significant changes to the business model. The main areas of focus were as follows:

Significant financial and reporting issue	How the Committee addressed the issue
Impairment losses of financial instruments	During the year, the Committee met and challenged the IFRS 9 judgements and models used to calculate the underlying expected credit losses and impairment recognition. This included reviewing the IFRS 9 judgements, post-model adjustments and macroeconomic assumptions used in the model to ensure that modelled outcomes were reasonable and in line with guidance. The regulatory and accounting guidance issued also extends to transparency for external reporting and the Committee reviewed all external disclosure notes. The Committee also discussed reporting disclosures and best practice with the external auditor. The Committee also reviewed the movements in impairment coverage ratios and non-performing loan ratios throughout the year and concluded that these had been appropriately monitored. The Committee concluded that the impairment provisions, including Executive Management's judgements, were appropriate. Refer to Note 7(u) of the Financial Statements for further details.
Securitisations	Securitisations involve the transfer of customer loans to structured entities. In determining the accounting treatment to be applied for each securitisation transaction, complex assessments must be performed, which necessitates the application of judgement. The Committee received accounting opinion papers from Executive Management on a securitisation transaction. The papers outlined the structure and compared this to the relevant accounting standards to confirm whether it met the requirements to be de-consolidated or, if not, whether it would be consolidated into the Group as a subsidiary by virtue of control. During 2024, securitisation transactions were classified by management as part of the ordinary course of business, serving to diversify funding sources and support the Group's liquidity management strategy. This was ratified by the Committee and will be classified as 'other judgement' in the 2024 Annual Report and Accounts. Refer to Note 7(i) of the Financial Statements for further details.

Significant financial and reporting issue	How the Committee addressed the issue
Fair value of debt instruments measured at fair value through other comprehensive income	The Group's loan book includes some mortgage loans that are measured at fair value through other comprehensive income (FVOCI). In order to value these loans, the Group makes use of 'unobservable inputs', which brings with it a level of estimation uncertainty. An 'unobservable input' refers to information that is not based on observable market data. To calculate the fair value of these loans, the Group used the discounted cash flow method. The significant assumption used in this calculation is the risk-adjusted discount rate, which is derived from cost of replacement assets based on period end closing swap rates. Changes in the assumptions applied could have a material impact on the calculated fair value of these loans.
Provisions for customer remediation and conduct risk	The Group's consumer finance franchise is exposed to risk under Sections 75 and 140 of the Consumer Credit Act, in relation to any misrepresentations, breaches of contract or other failings by suppliers of goods and services to customers where the purchase of those goods and services is financed by the Group. The Committee continues to receive regular updates with key focus in 2024 around Timeshare redress and the emerging developments, and managements conclusions, in connection with consumer motor finance. Further information on these matters can be found in Notes 7 and 34. The Committee reviewed that the disclosure notes were appropriate.

In addition to the matters described above, the Committee considered papers on the impact of Accounting Standards changes, Operating Segments, Large Exposures and the performance of the external auditors.

During the year, Audit Committee members received updates via Board meetings in relation to the acquisition of JBR. An accounting paper was presented to the Audit Committee in February 2025 detailing the accounting treatment of the acquisition and the resulting impact on the Groups financial statements for 2024, in addition to key areas of judgement such as accounting treatment, calculation of fair value of assets and liabilities and the resulting goodwill. For further details see Note 7.

The Committee also discussed the changes proposed from the UK's corporate governance reform and any possible impacts on the Annual Report and Accounts but noted this would not take effect until the 2025 reporting period.

Going concern and long-term viability

The Committee reviewed a paper from Executive Management setting out the assumptions underlying the going concern and viability statement as detailed in the statement on pages 82 and 153. The Committee considered a wide range of information relating to present and future conditions, including the Group's current financial position, future projections of profitability, cash flows and capital resources. In addition, the Directors have considered the Group's risk assessment framework and the possible impacts from the top and emerging risks, as highlighted in the Risk Report, on the longer-term strategy and financial position of the business.

The Committee concluded that as both capital and liquidity forecasts remained within regulatory requirements over the going concern period of 12 months from the date of approval of the financial statements that it is appropriate to adopt the going concern basis in preparing the Annual Report and Accounts. The Committee reported accordingly to the Board and recommended the viability statement for approval as set out on page 153.

Fair, balanced and understandable

The Committee reviewed and concluded that the Annual Report and Accounts taken as a whole is fair, balanced, and understandable and provides enough information to enable the reader to assess the Group's position and performance, business model and strategy. When considering the Annual Report and Accounts, the Committee focused on the significant judgements and issues that could be material to the financial statements. This included the matters set out in the table on page 65. The Committee challenged the judgements being made and discussed these matters with the external auditor.

Internal controls and risk management

The Committee annually assesses principal risks and uncertainties on a financial control basis. Details of the risk management systems in place and principal risks and uncertainties are provided within the Risk Report which starts on page 84. The Group's system of internal control has been designed to manage risk and, whilst risk cannot be eliminated, the systems assist with the provision of reasonable assurance against material misstatement or loss.

The Risk and Internal Audit functions review the extent to which the system of internal control is effective, is adequate to manage the Group's principal risks, safeguards the Group's assets and, in conjunction with the Company Secretary and the Group's legal and compliance functions, ensures compliance with legal and regulatory requirements.

Internal Audit

The Committee reviews, challenges and approves the annual audit plan and audit methodology for Internal Audit and monitors progress against the plan during the year. The Chief Internal Auditor agrees the programme of work and reports directly to the Committee on its outcomes. The Committee also oversees that Internal Audit has unrestricted access to all Group documentation, premises, functions, and employees as required to enable it to perform its functions.

On behalf of the Board, the Committee undertakes regular reviews of the effectiveness of the Group's internal control arrangements as part of its audit programme.

The Committee reviewed and challenged the proposed approach and areas of focus of Group Internal Audit. The Internal Audit function has continued to mature during the year, with additional headcount supplementing its co-sourced model and delivery of various transformation and innovation activities. Internal Audit provided the Committee with coverage of important topics such as operational resilience, Consumer Duty, financial crime, ILAAP, IT material change and outsourcing, reflecting the Group's strategic priorities.

Internal Audit delivered 26 audits from the 2024 Internal Audit plan of varying size and complexity. Internal Audit reports are circulated to the Committee members, with the Chief Internal Auditor reporting at each Committee and the Committee monitoring progress against actions identified in those reports.

The Committee monitors and reviews Internal Audit's effectiveness and independence using feedback obtained from the Board and other stakeholders. The Chief Internal Auditor confirms to the Committee, on an annual basis, that Internal Audit remains independent.

Additionally, the Committee ensures that there are sufficient resources available to internal Audit to complete its remit. The appointment and removal of the Chief Internal Auditor is the responsibility of the Audit Committee. Following the departure of Chris Mayo as Chief Internal Auditor in December 2024, the Committee oversaw a thorough recruitment process, which included the use of an external search firm, to provide appropriate external benchmarking. Following this process, the Committee was pleased to appoint Emmanuel Theocharopoulos as Chief Internal Auditor in March 2025, after acting as Interim Head of Audit.

External audit

The Committee oversees the relationship with its external auditor, KPMG, including the engagement terms, remuneration, the audit effectiveness and auditor independence and objectivity. The Committee also considers the audit plan and audit strategy (including the planned levels of materiality). The external auditor attends Committee meetings as appropriate. The Committee members have the opportunity to meet privately with the external auditor upon request.

KPMG was first appointed as the Group's external auditor in 2011. The Committee acknowledges the provisions contained in the Code in respect of audit tendering and, following a tender process for external audit services undertaken in 2017, the Committee concluded that KPMG should be retained as the Group's external auditor. As at the date of this report, there are currently no plans to conduct a tender for external audit services.

During the year, the Committee received regular detailed reports from the external auditor, including formal written reports dealing with the audit objectives and reports on the auditor's qualifications, expertise, and resources; the effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board. The external auditor's management letter is reviewed, as is Executive Management's response to issues raised, and progress is monitored against actions identified in those reports. The Committee monitors the provision of non-audit services by the external auditor throughout the year, to ensure compliance with the Non-Audit Services policy.

The Committee is responsible for reviewing the independence of the Group's external auditor and monitors the latest ethical guidance regarding audit partner rotation. KPMG has a policy of partner rotation, which complies with regulatory standards.

Maintaining an independent relationship with the Group's external auditor is a critical part of assessing the effectiveness of the audit process. The Committee has a formal policy on the use of the auditor for non-audit services. It ensures that work is only awarded when permissible and if the external auditor's knowledge, skills or experience are a decisive factor and therefore clearly preferred over alternative suppliers. Each year, the Committee receives and reviews an analysis of all non-audit work and reviews the level of audit and non-audit fees paid to KPMG. This oversight ensures that significant assignments are not awarded without first being subject to the scrutiny of the Committee. The fees paid to KPMG for audit and non-audit services are set out in Note 16 of the Financial Statements.

The Committee is satisfied with the performance of the external auditor in 2024 and the policies and procedures in place to maintain their objectivity and independence.

The effectiveness of the external auditor was assessed by taking into account the views of both the Committee and Executive Management, and focused on, amongst other things, the scope of the audit, as well as the external auditor's technical expertise, governance and independence. This assessment concluded that the external audit process was effective.

The Committee has recommended to the Board that KPMG be re-appointed as the Group's external auditor at the forthcoming 2025 Annual General Meeting, at which resolutions concerning the re-appointment of KPMG and its audit fee will be proposed to our Shareholder.

Speak Up

The Committee annually reviews the arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Where appropriate, the Committee also reviews reports relating to areas of concern, including anonymised cases, to ensure arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Committee approved a 'Speak Up' policy in 2023 which replaced the Whistleblowing policy to encourage employees to raise concerns when something does not feel right and provide assurance that they can feel safe doing so. In 2024 the Committee agreed that the Group would move to a fully anonymous and enhanced automated solution, in 2025, to enable people to speak up in absolute confidence. The Committee probed Executive Management and was satisfied that the process met the necessary standards and that it was adequately designed, operated effectively and adhered to regulatory requirements.

Sustainability

The Board received periodic updates from internal subject matter experts on climate topics throughout the year. As a result of this, externally facilitated climate training has been provided to the Audit Committee in January 2025, focused on upcoming sustainability reporting requirements and key areas for the Committee to focus on when reviewing the externally disclosed sustainability and climate reports. This was designed to help enhance Directors' climate-related knowledge and give the Committee a better-informed perspective when shaping and challenging the Group's external disclosures.

Priorities for 2025

The key priorities in 2025 include:

- the impacts of the UK corporate reporting and audit reform:
- reviewing the effectiveness of the co-sourced internal audit model;
- oversight and review of the 2024 internal audit plan including IT effectiveness and third-party audits;
- ongoing review and monitoring of all conduct issues and provision adequacy;
- ensuring that the Group's financial reporting complies with all legislative requirements and accounting standards; and
- staying aware of evolving sustainability reporting standards and regulations given the rapidly changing landscape.

Additional information

The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable, and timely information to perform its responsibilities effectively.

The Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

The Board reviewed and approved this report on 26 March 2025.

Risk Committee Report

"I am pleased to present the Risk Committee Report for the year ended 31 December 2024. The Committee's key role is to provide oversight of and advice to the Board on the management of risk across the Group, balancing the agenda between risk exposure, emerging risks and future risk strategy."



The Committee provided oversight of the operation of the Group's Risk Management Framework (RMF) and the continued collaboration between the first and the second line risk management teams, receiving regular updates on progress against respective deliverables. This included the oversight of performance against risk appetite and any resulting actions required throughout the year.

In order to support the Committee a number of additional Committee working groups were held during the year, with these meetings ensuring sufficient time was allocated to meet both the regulatory agenda and oversee the risk management response to existing and emerging risks. These working groups supported the Committee in the review and recommendation of risk appetite proposals; the review of components of the ICAAP, ILAAP, Recovery Plan; operational resilience assessment; and the delivery of the Consumer Duty for closed products by 31 July 2024.

During the year, the Committee continued to focus on the oversight of existing risks, whilst also ensuring emerging risks were appropriately identified and addressed. The RMF supports the management of new risks and controls and embeds an appropriate culture across the Group, by providing consistent challenge to the suitability of scenarios and stress testing given the challenging macroeconomic environment and resultant impact on the Group's risk profile and appetite. This included oversight of the management of Interest Rate Risk in the Banking Book and the adequacy of the risk appetite in relation to the changing economic environment. To ensure that the RMF remains capable of managing future growth and the associated risks, the Risk Committee reviewed and approved the recommendation to elevate transformation risk as a new principal risk within the risk taxonomy given the group's growth and the important role digital transformation plays in the execution of the Group's strategy.

The Committee also monitored the performance of the Assets and Liabilities Sub-Committee, ensuring the Group maintained appropriate levels of liquidity through 2024, and the Vulnerable Customer Policy which supported the needs of customers. The Committee monitored the completion of a securitisation of a portfolio of mortgages originated by Bluestone Mortgages Limited as part of the Group's 'originate to distribute' model. The Group's approach to cyber resilience and information security was reviewed to ensure it remained suitable for the size and scale of the Group and prevailing risks and supported management's recommendation to make further improvements to the cyber perimeter.

Membership, attendance, and responsibilities of the Committee can be found on pages 55 and 57.

The terms of reference for the Committee can be found on the Group's website at: **shawbrook.co.uk/investors/**



The Committee reviewed and recommended to the Board for approval the annual review of the RMF and considered the 2024 risk deliverables across both the first and second lines of defence risk teams. It also reviewed progress against the risk deliverables during the year. The Committee also received a summary of the capability that the Group needs to develop over the strategic plan alongside a summary attestation of compliance with the RMF. The Committee regularly considered external challenges, including those arising from climate risk, the embedding of the Group's approach to climate risk within the broader Sustainability agenda and regulatory changes. The Committee recommended to the Board for approval: the annual Money Laundering report, the annual report from the Group's Data Protection Officer, the annual review of the Group Risk Appetite, and the ICAAP, ILAAP and Recovery Plan. In the context of the Recovery Plan the Committee received feedback on a test of the Liquidity Contingency Plan as part of its rolling programme of fire drill exercises.

The Committee continues to focus on the continued enhancement and effectiveness of financial crime controls and the performance of, and reporting from, the Money Laundering Reporting Officer who oversees the Group's financial crime controls. The Committee also regularly received updates on the operational resilience framework and customer experience including complaints.

The Committee had several sessions during the year to oversee the credit risk profile of the Group. This included detailed portfolio reviews periodically during the year, oversight of customers in arrears, credit risk management information, and received regular reports on forward-looking early warning indicators and external tools to support the early identification of potential problem loans.

The Committee also reviewed and recommended to Board some targeted changes in risk appetite including the acquisition of JBR in September 2024.

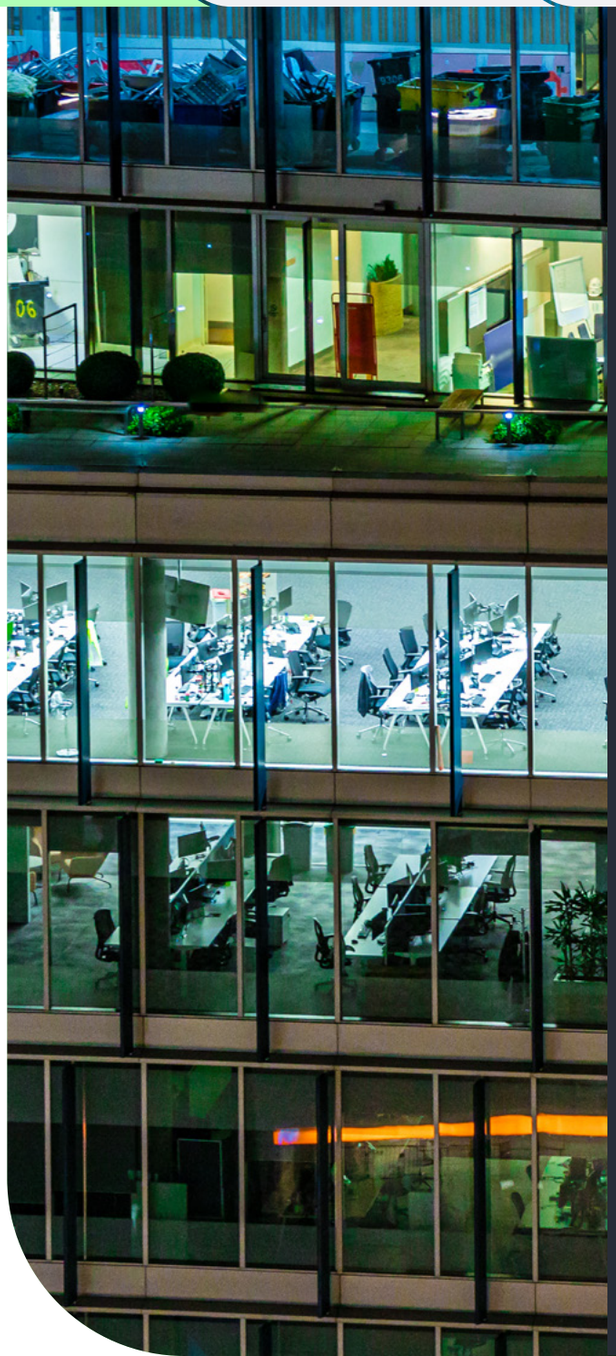
The Committee received regular updates from management and the Board Model Risk Champion on Model Risk during 2024. This included updates on progress on the model priorities for 2024 together with a summary of the activities of the Model Risk Committee and the performance of models contained within the Group's model vault.

The Committee received a demonstration of the Group's new Governance, Risk and Controls system which showed how risks, controls, and assurance will coexist in a single system, covering all Principal Risks. The Committee received regular updates on the embedding of controls and the focus on automating manual controls.

The Committee continues to oversee the impact of the continuing global economic and political uncertainty on consumers downward pressure on real incomes and small to medium enterprises through higher input prices, and supply chain risks. During the year, the Committee oversaw the delivery of enhancements to the RMF, including impacts arising from changes in regulation and the risk review of the annual budget process. In 2025, the Committee will continue to monitor and assess the risks facing the Group.

Paul Lawrence
Chair of the Risk Committee

26 March 2025



Main activities during the year

Risk monitoring and oversight

During 2024, the Committee considered a wide range of risks facing the Group, both existing and emerging, across all areas of risk management. At each scheduled meeting, the Committee received regular reports from the Chief Risk Officer detailing the key activities undertaken by the Risk function to oversee the embedding of risk management across the Group and was provided with outputs of regular risk monitoring and details of specific risk issues. The Committee has also received details of the Group's current and forward-looking capital solvency position and monitored performance against the Group's risk appetite statement.

Risk management and controls

Throughout the year, the Committee monitored the effectiveness of the Group's risk management and control systems and reviewed their effectiveness through the RMF. The RMF sits across the business with a particular focus on risk monitoring and control. The Committee received and reviewed an attestation of compliance with the RMF from the Chief Risk Officer, divisions, and functions, which included a capability assessment to ensure the Group has the resources it needs to deliver its objectives.

Top and emerging risks

The Group's top and emerging risks are considered regularly by the Committee. Further information about the Group's top and emerging risks can be seen in the Risk Report starting on page 84.

Significant risks and primary areas of focus

During 2024, the following significant risks and primary areas of focus were considered by the Committee:

Significant risks and primary areas of focus	Risk Committee review
Group risk management	• The Committee reviewed the 2024 Annual Risk Plan, which included the key areas of focus for the first and second line risk functions. • The Committee received regular summaries of the overall risk profile of the Group through the Chief Risk Officer's Report. • The Committee reviewed the top and emerging risks for the Group for inclusion in the Annual Report and Accounts. • The Committee reviewed the effectiveness of the RMF throughout the year through the Chief Risk Officer's Report and updates on the Risk Plan. • The Committee oversaw progress of the Climate Risk Implementation Plan, progress on the maturity and effectiveness of the Financial Crime framework.
Board risk appetite	• The Committee reviewed progress on the annual review of the Board's risk appetite, including material risk appetite limits. • The Committee received regular updates on the evolving risk appetite framework, including the provision of a monthly risk appetite dashboard that accompanies the Chief Risk Officer's Report at each meeting.
Credit risk	• The Committee received a number of updates to the Group Affordability Policy to ensure that it remained appropriate to the environment. • The Committee received updates on policy changes, reflecting updates and enhancements to the Group Policy Framework. • The Committee received updates to Credit Risk Appetite during the cost-of-living challenge, including updates on capacity in collections in advance of any potential increase in arrears and potential problem loans. • The Committee received regular updates on targeted portfolio reviews, including any actions taken.
Operational risk	• The Committee received regular reports across the spectrum of operational risks, information security and cyber risk resilience. • The Committee reviewed and recommended to the Board an updated list of Important Business Services and associated Impact Tolerances and the Group's Operational Resilience Framework as part of the Group's operational resiliency programme. The Committee also reviewed the outcome of testing of impact tolerances. • The Committee also received updated policies in relation to the risk management approach to third parties.
Conduct, legal and compliance risk	• The Committee reviewed the Group's risk management approach to reflect the regulatory and legal environment in which the Group operates. • The Committee received updates on various conduct risk and legal liability risk matters. • The Committee received regular updates on the Group's investment in financial crime controls and received the annual Money Laundering Reporting Officer's report and the annual Data Protection Officer's report. • The Committee received regular updates on the implementation of the Consumer Duty for closed portfolios before July 2024 including managements attestation of compliance and ongoing monitoring arrangements. • The Committee reviewed enhancements to the Group's Vulnerable Customers Policy and associated management information.
Liquidity and market risk	• The Committee reviewed and recommended to the Board approval of the ILAAP. • The Committee reviewed and recommended changes to the Group's Interest Rate Risk in the Banking Book appetite.
Stress testing and capital	• The Committee reviewed and recommended to the Board approval of the ICAAP. The Committee also reviewed a number of alternative scenarios through which to assess the strategy and business model. • The Committee reviewed and recommended to the Board the approval of the Recovery Plan and received a report on the feedback arising from a fire drill test of the Liquidity Contingency Plan as part of the Group's rolling programme of fire drill tests.

Other matters considered in detail by the Committee in 2024

- Top and emerging risks
- Operational resiliency framework and design
- Climate risk implementation plan
- Implementation of the actions arising from the Group's annual RMF attestations
- Implementation of enhanced financial crime controls
- Implementation of the Group's new Governance, Risk, Controls and Assurance platform



Priorities for 2025

The key projects that the Risk function is accountable for delivering in 2025 include:

- identifying, documenting, and testing controls and automating manual controls;
- oversight of planned phases of roll out of the central financial crime control environment and use of AI to assist in the oversight of transaction monitoring;
- continued compliance with the model risk principles for banks where it is appropriate to do so;
- oversight of the credit risk profile of the bank including forbearance, arrears, non-performing loans, and increases in the sophistication of credit analysis;
- leveraging the Group's cloud-based analytical environment to leverage data and technology as a primary control and support use cases to accelerate the use of machine learning and AI;
- enhancements to strengthen the integration of risk, controls and assurance across all three lines of defence;
- oversight of the economic environment given the downside risks of higher for longer interest rates, prolonged inflation and higher costs for consumers and SMEs;
- oversight of enhancements to the cyber resilience infrastructure;
- oversight of the vulnerable customer road map;
- oversight of outsourcing controls and associated third party risk management;
- delivery of operational resilience enhancements and operational continuity in resolution; and
- delivery of the climate risk implementation plan, including further quantitative scenario testing, including SMEs.

Additional information

The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable, and timely information to perform its responsibilities effectively.

During the year, the Committee held at least one scheduled meeting with the Chief Risk Officer without Executive Management being present.

The Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

The Board reviewed and approved this report on 26 March 2025.

Directors' Remuneration Report

"I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2024."



As outlined in the Chair's and Chief Executive Officer's Statements, Shawbrook delivered another year of strong performance in 2024, strengthening our presence across specialist markets and generating positive momentum heading into 2025. Supported by a talented and engaged workforce, enhancements in digital capability have delivered meaningful benefits for customers. Continued evolution of the sustainability agenda has also seen us make further progress towards our climate goals as well as driving greater impact in our communities. Following the financial year end, the Committee assessed performance against financial and non-financial measures, alongside business area performance and risk alignment. This determined the overall bonus pool for 2024. Individual performance was taken into account to determine the allocation and distribution of awards.

During 2024, in keeping with its terms of reference and alongside a range of governance matters, the Committee continued to oversee Shawbrook's approach to reward for its material risk takers as well as the wider workforce, informed by employee engagement feedback. Shawbrook continues to work towards creating robust and diverse leadership pipelines. In 2024, this included the launch of leadership coaching for female leaders, a refreshed approach to talent and succession planning and the introduction of a number of new employee networks to support the diverse needs of the workforce. The Committee was pleased to see a reduction in the mean gender pay gap, reducing from 34% to 31% in 2024, although recognises that there is still some way to go in terms of closing the gap. Despite narrowly missing its Women in Finance target in 2024 (Actual: 28.4%, Target: 30%), given the progressive work around organisational design and the strengthening of the leadership pipeline, Shawbrook has repledged its commitment to the Charter with a refreshed target of 35% of women in senior management positions by 2030.

The Committee also monitors and keeps abreast of any significant changes to the regulatory landscape. During the year, the Committee reviewed the fixed to variable pay ratio following the removal of the bonus cap in October 2023. While the Bank has been able to operate within the existing variable pay cap, it was determined that it would be appropriate to remove this going forward to ensure as much flexibility as possible, whilst allowing the Group to manage its fixed cost base effectively. Whilst Shawbrook is currently able to disapply some of the key provisions, the Committee also welcomes the consultation on proposed changes to the remuneration rules and guidance applicable to UK banking firms.

Ahead of 2025, the Committee undertook a review of its variable pay arrangements and ensured that the financial and non-financial performance measures were fully aligned with the Group's ongoing strategy. One key area of focus for the Committee this year was a review and reshaping of its long term incentive arrangements heading into 2025 to ensure the Group is able to continue to attract and retain key talent and maintain the alignment of the senior leadership incentives to Shawbrook's strategic priorities.

Overall, the Committee is comfortable that the Remuneration Policy operated as intended during the year.

I wish to take this opportunity to thank Deloitte for the support and advice provided to the Committee in recent years and look forward to working with EY as our new independent advisors on remuneration matters from 2025.

Michele Turmore
Chair of the Remuneration Committee

26 March 2025

Membership, attendance, and responsibilities of the Committee can be found on pages 55 and 57.

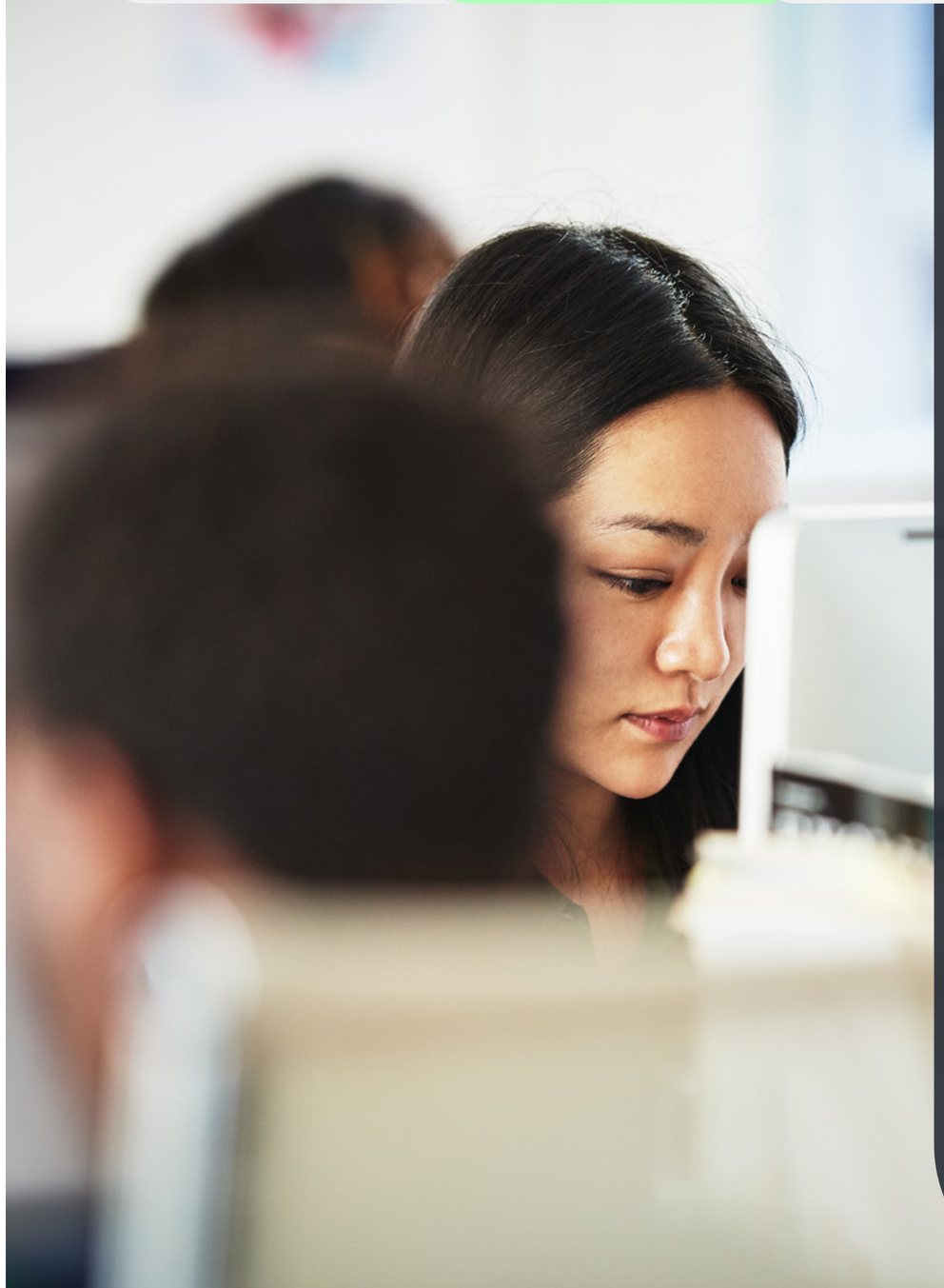
The terms of reference for the Committee can be found on the Group's website at: **shawbrook.co.uk/investors/**

Main activities during the year

The Committee met on four occasions during 2024. In addition to cyclical agenda items, the Committee undertook a detailed review of its long term incentive arrangements, considered the performance measures upon which short term incentive awards are based and reviewed its approach to the fixed to variable pay ratio. The Committee also reviewed progress against the Group's EDI agenda from a remuneration perspective.

Deloitte provided independent advice to the Committee on all executive remuneration matters during the year. Deloitte is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. During 2024, Deloitte also provided internal audit, risk advisory, share plan advisory, consulting and financial advisory services to the Group. The Committee is satisfied that the advice received from Deloitte was objective and independent. From 2025, EY will provide independent advice to the Committee on remuneration matters.

In line with the Framework Agreement and Memorandum of Understanding, the Shareholder has representation on the Committee. Where applicable decisions are escalated through the Board to the Shareholder for approval.



Guiding reward principles

The Group seeks to reward its employees fairly for their contribution and motivate them to deliver the best outcomes for all stakeholders. This is underpinned by the following principles:

- Remuneration arrangements will be designed to attract, retain, and motivate high calibre individuals who will assist the Group in meeting its strategy;
- Reward structures will be developed in alignment with the Group's strategy and promote long-term sustainable success, while meeting appropriate regulatory requirements;
- Remuneration will be determined within the Group's stated risk appetite defined as 'maintaining a balanced strategy to reward our employees for appropriate conduct and performance'. Safeguarding the right outcomes for customers is at the heart of this;
- There will be an appropriate mix of long-term and short-term variable pay arrangements in place, which will assist in driving the long-term security, soundness, and success of the Group;
- The long-term and short-term variable pay plans will be subject to appropriate performance measures, ensuring the right balance between these elements of the reward package;
- Remuneration outcomes will be determined with reference to total reward principles. For example, when making bonus decisions, the Group will take into account an employee's total aggregate remuneration;
- Eligibility for, and payment of, any remuneration will be communicated in a clear and transparent way for all colleagues and in a timely manner; and
- Reward structures will be designed to avoid any conflicts of interests as set out in the Group's Conflicts of Interest policy. In this regard, employees in control functions will be remunerated independently from the performance of the business areas that they oversee. Furthermore, the Committee will be constituted in a way that avoids conflicts of interests and provides independent oversight of remuneration matters within the Group. No individual will be permitted to be present at the Committee when decisions are taken which concern their own remuneration.

The Group keeps its reward strategy, including the guiding reward principles, under regular review to ensure it continues to support the delivery of its strategic priorities.

The Committee considers that the current framework appropriately addresses the following factors as set out in the UK Corporate Governance Code.

Clarity and simplicity	As a private company, Shawbrook is not required to produce a full Directors' Remuneration Report aligned to that of a UK-listed company. However, in the interests of transparency, the Committee provides voluntary disclosure of our remuneration policy and how this applies to Executive Directors.
Risk	As a financial institution, one of our guiding reward principles ensures that remuneration is determined within the Group's stated risk appetite defined as 'maintaining a balanced strategy to reward our employees for appropriate conduct and performance'. Safeguarding the right outcomes for customers is at the heart of this. Deferral under the annual bonus and participation in the long term incentive arrangements encourage a long-term focus. All incentive arrangements for material risk takers, including Executive Directors, are subject to malus and clawback provisions. Shawbrook has a formal risk adjustment policy which outlines how any risk adjustments (including through the application of malus and/or clawback) would be determined and applied.
Predictability	The remuneration policy table contains details of the maximum annual bonus opportunity levels for Executive Directors, with actual bonus outcomes varying depending on the level of performance achieved. Payment under our incentive arrangements will be subject to the Committee's discretion.
Proportionality and alignment to culture	All eligible permanent and fixed-term employees are considered for an annual bonus, aligning reward to the overall financial and non-financial performance of the Group. Under the annual bonus, the Committee assesses performance against a range of objectives, to ensure that reward is not determined solely on financial performance but also drives behaviours consistent with Shawbrook's culture. The Committee has the discretion in circumstances of poor financial performance to reduce the bonus outcome, including potentially to zero.





Directors' remuneration policy

Shawbrook is not required to produce a Directors' Remuneration Report in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). However, for transparency the Board has produced the table below which summarises the key components of the Group's reward package and how these apply to the Executive Directors.

Element	Purpose and link to strategy	Operation
Fixed elements of remuneration		
Salary	To provide a competitive level of base pay to attract and retain talent.	Base salaries are set with reference to the size and scope of the role, the external market as well as the skills and experience of the individual. The approach for the wider workforce is also taken into account. Salaries are normally reviewed on an annual basis.
Pension	To provide a competitive post-retirement benefit supporting the long-term financial wellbeing of employees.	Executive Directors may participate in the Group's workplace pension arrangement or receive a cash allowance in lieu (in full or part) of pension contributions. For 2024, each Executive Director received a pension contribution and/or allowance to a combined value of 15% of salary per annum.
Benefits	To provide a suite of competitive benefits to support the wellbeing of employees.	The Group offers a wide range of benefits to support our employees' health, financial and lifestyle needs. Benefits provided to our Executive Directors include (but are not limited to) private medical cover, life assurance and permanent health insurance. Additional benefits may be provided as reasonably required.

Element	Purpose and link to strategy	Operation
Variable elements of remuneration		
Annual discretionary bonus	To incentivise and reward the achievement of short-term financial and non-financial objectives which are closely linked to the Group's strategy. Deferral encourages long-term focus and risk alignment.	Annual bonus awards are determined with reference to financial, non-financial and individual objectives. Specific performance measures and objectives are reviewed on an annual basis to ensure they appropriately align to the Group's ongoing strategy. When finalising individual award levels, consideration is given to the overall performance of the Group, business area performance and individual performance against agreed objectives, including alignment with our purpose, experience, principles and culture, as well as the outcome of the independent risk adjustment process. Poor financial performance can result in the bonus being reduced, including potentially to zero. The on-target opportunity for Executive Directors is 60% of salary per annum with a normal maximum opportunity of 120% of salary per annum. Awards over a threshold level (set by the Committee each year) are subject to deferral. Deferred awards will normally be released in equal tranches after one, two and three years, subject to continued employment. Annual bonus awards are subject to the Group's malus and clawback provisions.
Long-term incentives	To incentivise and reward the delivery of the Group's long-term strategy and growth over a sustained period.	Executive Directors are eligible to participate in the long-term incentive arrangements which are designed to incentivise senior management to deliver and execute the Group's long-term strategy as well as align their interests with those of our Shareholder. Awards granted under a long-term incentive will typically be subject to an assessment of prior performance at both an individual and Group level. The Group's long-term incentive arrangements in which Executive Directors participate will deliver outcomes based on the growth in the value of the Group. The value accrued will ordinarily only be released to participants at an exit event, i.e. the sale of the Group, the majority of its assets or an Initial Public Offering. While the targets are financial in nature, the value of the Group, and therefore any value delivered under the long-term incentive arrangements, will depend not only on financial performance but also on the overall health of the business which will consider other non-financial factors. Awards will be subject to the Group's malus and clawback provisions.

Non-Executive Director Fees

The Chair of the Board and Non-Executive Directors are entitled to an annual fee, with additional fees payable to the Senior Independent Director and Chairs and members of the respective Committees of the Board. Fee levels are reviewed periodically and are set out within this report.

Reasonable expenses incurred in the performance of Non-Executive duties may also be reimbursed or paid directly by the Group, as appropriate.

Directors' remuneration in 2024

The tables below set out the remuneration received by Executive and Non-Executive Directors during 2024. The numbers included in the table below have been audited.

	2024		2023	
Executive Directors	**All Executive Directors £000**	**Highest paid Executive Director £000**	All Executive Directors £000	Highest paid Executive Director £000
Salary	**1,333**	**900**	1,150	750
Taxable benefits	**5**	**2**	4	2
Pension	**200**	**135**	173	113
Annual bonus	**1,420**	**1,000**	1,300	900
Total	**2,958**	**2,037**	2,627	1,765

Non-Executive Directors[1]	**2024 £000**	2023 £000
Fees	**923**	721

Notes to the tables

Pension: Executive Directors received their pension contributions during 2024 by way of a cash allowance, except for Marcelino Castrillo who received part of his pension contribution by way of a contribution into the Group's workplace pension arrangement and part by way of a cash allowance.

Annual bonus: Executive Directors were eligible to participate in the annual bonus in 2024, with an on-target annual opportunity of 60% of salary and a maximum annual opportunity of 120% of salary. The bonus pool outcome was determined through a rounded assessment of performance against a range of weighted measures.

Category	Weighting	Example measures
Financial	55%	PBT and RoTE.
Risk	15%	Risk appetite, risk management, data quality and other key risk objectives.
Customer	10%	Customer experience, complaints handling and effective embedding of the Consumer Duty.
People	10%	Continued evolution of People Strategy, including attrition, engagement, EDI and leadership succession.
Strategy & Culture	10%	Accelerating growth in strategic business initiatives, evolution of product, technology and digital strategy and progression of sustainability agenda.

When determining the bonus pool outcome, the Committee carefully reviewed performance against each of the relevant measures, whilst also taking into account broader considerations relating to overall Group and business area performance. The Committee also considered the outcomes of the Chief Risk Officer's independent report.

Overall, the Committee considered that the Group had demonstrated robust financial and non-financial performance over the course of 2024, noting continued strengthening of the risk management approach, enhancement to the customer experience, strong people outcomes and significant progress against its strategic priorities, including the ongoing focus on digitisation and sustainability.

The overall value of awards for the Executive Directors, which also took into account their individual performance and contribution during the year, are included in aggregate in the emoluments table. In line with policy, 50% of any amount in excess of £100,000 payable to an individual will be subject to deferral in cash and released in three equal tranches after one, two and three years.

Share related benefits: no share related benefits were exercised during 2024.

Payments for loss of office: no payments for loss of office were made during 2024.

1 Whilst not paid directly to the individual, the Group incurred fees of £0.1m in relation to the two Institutional Directors appointed to the Board by the ultimate parent company, as set out and agreed within the Framework Agreement. The Institutional Directors are not employed by the Group and the fees are not included in the above table.

Wider workforce remuneration

In line with our guiding reward principles, the Group seeks to reward all its employees fairly for their contribution, and motivate them to deliver the best outcomes for all our stakeholders. The remuneration approach applied for the Executive Directors is closely aligned to the reward framework for all employees. All employees receive a salary, pension contribution and benefits set at a level considered appropriate for their role and experience. Fixed pay is set at a competitive level to attract and retain talent.

In terms of variable pay, all permanent and fixed-term employees are eligible to be considered for an annual bonus, as appropriate to their role. The Group also operates long-term incentive arrangements for selected senior individuals to reward them for their contribution to the delivery of the long-term strategy.

The Committee receives and considers internal and external information as appropriate to guide decisions on remuneration, including but not limited to, the results of employee engagement surveys as well as feedback sought from the People Engagement Forum and other internal (such as the Chief People and Marketing Officer and Group Head of Reward) and external stakeholders. The Committee also considers progress against the Group's EDI initiatives, including gender pay gap outcomes for the year, details of which can be found on our website, and progress towards commitments made in line with the Women in Finance Charter.

As a private company, Shawbrook is not required to disclose the Chief Executive Officer pay ratio. However, in line with the Board's commitment to give due consideration to the spirit of the UK Corporate Governance Code and in the interests of transparency, the Committee has chosen to voluntarily disclose the ratio of the Chief Executive Officer's total remuneration to the median total remuneration of our employees.

Total remuneration[1]	Median pay ratio
2024	**29:1**
2023	26:1

Directors' remuneration in 2025

The Committee has determined that, for 2025, the remuneration policy will be implemented as follows for Executive Directors.

Executive Director salaries: the Committee reviewed Executive Director salaries on an individual basis. Considering market positioning and to reflect performance in role, the Committee determined that increases would be applied to both Executive Directors in 2025.

Pension and benefits will continue to operate in line with the remuneration policy.

Annual bonus: the normal maximum annual bonus opportunity for Executive Directors will be 120% of salary. When determining the annual bonus outcomes for 2025, the Committee will give consideration to performance based on a range of financial and non-financial measures, as well as the individual's overall performance and the outcome of the Chief Risk Officer's independent risk review.

Long-term incentive: Long-term incentive arrangements in which the Executive Directors participate will be linked to growth in value of the Bank up to the point of an exit event.

Non-Executive Director fees

Fees for Non-Executive Directors are outlined below:

	Fee from 1 January 2024	Fee from 1 March 2025
Chair fee	£275,000	£282,000
Non-Executive Director base fee[2]	£75,000	£77,000
Senior Independent Director fee	£20,000	£20,000
Audit and Risk Committee Chair fee	£30,000	£30,000
Remuneration Committee Chair fee	£25,000	£25,000
Audit and Risk Committee membership fee	£8,000	£8,000
Remuneration Committee membership fee	£8,000	£8,000
Nomination and Governance Committee membership fee	£5,000	£5,000

Additional information

The Committee has unrestricted access to Executive Management and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable, and timely information to perform its responsibilities effectively. The Chair reports on matters dealt with at each Committee meeting to the subsequent Board meeting.

The Board reviewed and approved this report on 26 March 2025.

1 Includes salary (before the impact of any salary sacrifice/exchange elections), taxable benefits, pension, and annual bonus awards earned in respect of the financial year. It does not include buyout awards, payments for loss of office or any awards granted under long-term incentive arrangements. In reaching the median total remuneration of our employees, the Group has considered the full-time equivalent total remuneration of all individuals employed by the Group for the entirety of 2024 where such earnings have not been impacted by notable periods of absence. The methodology used broadly aligns to Option A as defined in the Companies (Miscellaneous Reporting) Regulations 2018.

2 Whilst not paid directly to the individual, the Group incurs fees of £0.1m in relation to Institutional Directors appointed to the Board by the ultimate parent company, as set out and agreed within the Framework Agreement.

Nomination and Governance Committee Report



"I am pleased to present the 2024 report as Chair of the Nomination and Governance Committee. The Committee continued to focus on Board and Executive succession planning, ensuring a desired mix of skills and expertise is maintained across the Board, its Committees, the Executive and senior management to support the delivery of the Group's strategy."

The Nomination and Governance Committee's primary focus is on developing and hiring great talent and the Committee supports the Executive team in delivering good outcomes. During 2024 the Committee reviewed progress in relation to the people strategy, including senior leadership succession, ongoing leadership capability development and overall employee engagement, to set us up for long term success. Shawbrook remains committed to diversity and inclusion and continues to be a signatory of the HM Treasury Women in Finance Charter, the Business in the Community Race at Work Charter and Progress Together. Our Executive Committee sponsors this work, much of which is delivered by our highly engaged and passionate employee inclusion groups.

Looking ahead, the Committee will continue to keep the structure, size and composition of the Board and its Committees under review, as well as overseeing succession of the Executive and Senior Management team and the Group's corporate governance arrangements. The Committee will also monitor progress on embedding actions arising from the 2024 Board effectiveness review.

Further information about the activities of the Committee is provided in the following report.

John Callender
Chair of the Nomination and Governance Committee

26 March 2025

Membership, attendance, and responsibilities of the Committee can be found on pages 55 and 57.

The terms of reference for the Committee can be found on the Group's website at: **shawbrook.co.uk/investors/**

Main activities during the year

Throughout the year, the Committee considered the composition of the Board and its Committees, Board succession planning, appointments to subsidiary boards, extent of compliance with the principles within the UK Corporate Governance Code 2018, executive succession planning, the Group's leadership programme, SM&CR appointments and EDI.

Board composition and succession planning

The Committee monitors the membership of the Board and its Committees to ensure that there is a suitable balance of diversity, skills and experience. Consideration to the length of service of the members is also undertaken. This ensures that appropriate succession and development plans are in place for appointments to the Board. During the year, this work was complemented by a 360-degree review of the independent Non-Executive Directors carried out by the Chair.

Paul Lawrence reached nine years as a Non-Executive Director and Chair of the Risk Committee in August 2024. Following an extensive market search, supported by Russell Reynolds Associates' the Board was pleased to appoint Derek Weir, initially as a Non-Executive Director and designate Chair of the Risk Committee, from 1 July 2024. In order to support an orderly handover of duties, the Board supported the extension of Paul Lawrence's term until 31 March 2025. Following completion of the handover, Derek was appointed as Chair of the Risk Committee on 21 January 2025. Derek brings a wealth of banking experience in both executive and non-executive roles.

The Committee is satisfied that the succession planning structure in place is appropriate for the size and nature of the Group.

Non-Executive Director time commitment

The Committee continued to keep under review the time commitment of each Non-Executive Director to help ensure that the Board and its Committees had the appropriate representation and that the Non-Executive Directors were able to commit the appropriate time to their respective roles. This is on average at least four days per month depending on business needs.

Re-electing Directors

Before recommending the proposed re-election of Directors at the 2024 Annual General Meeting, the Committee reviewed the independence of the Non-Executive Directors and concluded that Andrew Didham, Paul Lawrence, Michele Turmore, Lan Tu and Janet Connor met the criteria for independence. John Callender was independent when he was appointed as Chairman. Lindsey McMurray and Cédric Dubourdieu's re-election as Institutional Non-Executive Directors was made in line with the Framework Agreement.

Non-Executive Director contracts

Subject to annual re-election at each Annual General Meeting, the contracts for Non-Executive Directors are reviewed every three years.

Executive and Non-Executive Director induction

All new Directors are required to undertake an induction programme, which includes comprehensive training on their Senior Managers and Certification Regime responsibilities. In addition, Directors are required to undertake training in the regulatory and compliance frameworks and are also required to gain an understanding of relevant legal requirements, such as money laundering legislation. Inductions include sessions with the Chairman, Directors, the Executive Committee and external advisors to gain insight into the Group. Training is tailored to the requirements of each Director's role, knowledge and experience.

Following Derek Weir's appointment from 1 July 2024, a comprehensive induction programme was devised. The programme was tailored to Derek's requirements and prioritised early engagement with key internal stakeholders, including Board and Executive Committee members and key members of the Risk function. As well as providing opportunities for Derek to meet his new colleagues, the programme was designed to ensure a comprehensive overview of Shawbrook's structure, business operations and its strategic priorities. Derek also attended Board and Board Committee meetings, including the Board Strategy Day in November 2024. Derek's induction was formally completed on 16 January 2025.

Executive succession

Following a review and restructure of our Executive Committee during 2024, I am confident that we have a strong and resilient Team and with the addition of Miguel Sard and the changes in our Chief Technology Officer team, we are well equipped to take the business forward from strength to strength. The creation of the Group's refreshed Senior Management Team (SMT) during 2024 is also well embedded and provides a strong talent pool from which to ensure both effective management of the business whilst also facilitating succession for Executive Committee roles when required in the future.

We have 100% emergency succession cover in place for both our SMT and Executive roles and will be working with and developing our SMT through transparent discussions and the deployment of development plans to ensure we create internal candidates for Executive Committee roles where appropriate.

We also always ensure that we have an eye on the external market, to enable us to add talent and experience beyond what we have today, particularly where we are evolving into new markets. This ensures that we take a best talent approach at all times.

Culture

Our success in 2024 was driven by a high-performance culture and a talented workforce. We have focused on recruiting top talent, enhancing employee propositions, investing in leadership development and fostering a supportive environment which is reflected in an employee engagement score of 81%. A restructure of the Executive Committee and senior management team created focused delivery alongside strong leadership capability and succession. We continue to recognise exceptional contributions through recognition awards and creating a culture of inclusion and belonging through our employee led EDI groups. We have repledged to the Women in Finance Charter, the Race at Work Charter and Progress Together, demonstrating our long-term commitment to EDI.

Senior Management Function appointment process

The Committee is also responsible for overseeing the appointment of Senior Management Function holders, pursuant to the Senior Managers and Certification Regime. Prior to such appointments, the Committee evaluates the balance of skills, knowledge and experience required for the role and provides suitable oversight of the selection and appointment process. The Committee is pleased with the appointments made in 2024, which will help the Group to achieve its strategic aims.

Subsidiary governance

During 2024 the Committee approved a number of changes to the boards of our operating subsidiary entities. These changes, support the further integration of these entities into the Shawbrook Group and are intended to simplify and streamline the governance structure.

Additional information

The Committee has unrestricted access to the Executive, Senior Leadership and external advisors to help discharge its duties. It is satisfied that in 2024 it received sufficient, reliable and timely information to perform its responsibilities effectively.

The Board reviewed and approved this report on 26 March 2025.

Directors' Report

Corporate governance statement

The Directors of the Company present their report, together with the audited financial statements, for the year ended 31 December 2024. Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

Subject	Pages
Business activities and future development	15
Charitable donations	40
Corporate Governance Report	49
Directors' biographical details	51
Employees	45
Environment	28
Events after the reporting period	243
Internal controls and financial risk management	62
Relationship with suppliers	46
Relationship with the Shareholder	46
Results for the year	183
Risk management	85
Use of financial instruments	189-238

Section 414 of the Companies Act 2006 requires the Directors to present a Strategic Report in the Annual Report and Accounts. The information can be found on pages 1 to 48.

The Group has chosen, in accordance with Section 414C (11) of the Companies Act 2006, and as noted in this Directors' Report, to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report.

Dividends

The Directors are not recommending a final dividend in respect of the year ended 31 December 2024 (2023: £nil).

Employees with disabilities

Applications for employment by people with disability are given full and fair consideration, bearing in mind the respective aptitudes and abilities of the applicant concerned and our ability to make reasonable adjustments to the role and the work environment. In the event of an existing employee becoming disabled, all reasonable effort is made to ensure that appropriate training is given and their employment with the Group continues. Training, career development and promotion of a disabled person is, as far as possible, identical to that of an able-bodied person.

Appointment and retirement of Directors

The Company's Articles of Association set out the rules for the appointment and replacement of Directors and expects that all Directors shall retire from office and may offer themselves for re-appointment at the Annual General Meeting.

Powers of Directors

The Directors' powers are conferred on them by UK legislation and by the Company's Articles of Association. Changes to the Company's Articles of Association must be approved by the Shareholder passing a special resolution and must comply with the provisions of the Companies Act 2006. The Company's Articles of Association can be viewed on the website: **shawbrook.co.uk/investors/**

Directors' interests

None of the Directors hold shares in the Company. Lindsey McMurray and Cédric Dubourdieu are Directors of Marlin Bidco Limited, the Group's sole Shareholder.

Directors' indemnities

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, the Group may indemnify any Director or former Director of the Company, or any associated Company, against any liability and may purchase and maintain for any Director or former Director of the Company, or any associated Company insurance against any liability.

The Directors of the Group have entered into individual deeds of indemnity with the Group, which constitute 'qualifying party indemnity provisions' entered into by the Directors and the Company. The deeds of indemnity protect the Directors to the maximum extent permitted by the law and by the Articles of Association of the Company, in respect of any liabilities incurred in connection with the performance of their duties as a Director of the Company and any associated Group company, as defined by the Companies Act 2006.

The Group has maintained appropriate Directors' and Officers' liability insurance throughout 2024.

Company Secretary

All Directors have access to the services of the Company Secretary in relation to the discharge of their duties. Andrew Nicholson can be contacted at the Company's registered office, details of which are on page 189.

Going concern

The financial statements are prepared on a going concern basis. To assess the appropriateness of this basis, the Directors considered a wide range of information relating to present and future conditions, including the Group's current financial position and future projections of profitability, cash flows and capital resources. The Directors also considered the Group's Risk Management Framework and potential impacts that the top and emerging risks identified (see page 92 of the Risk Report) may have on the Group's financial position and longer-term strategy.

The Group continues to have a proven business model, as demonstrated by its continued levels of profitability, and remains well positioned in each of its core markets. The Directors believe the Group is well-capitalised and securely, with appropriate levels of liquidity.

The Directors have reviewed the Group's capital and liquidity plans, which have been stress tested under a range of severe but plausible stress scenarios as part of the annual planning process and the annual ICAAP and ILAAP. The stressed forecasts indicate that, under the evaluated stressed scenarios, the Group continues to operate with sufficient levels of liquidity and capital for the next 12 months, with the Group's capital ratios and liquidity remaining in excess of regulatory requirements.

Based on the above, the Directors believe the Group has sufficient resources to continue its activities for a period of at least 12 months from the date of approval of these financial statements and the Group has sufficient capital and liquidity to enable it to continue to meet its regulatory requirements as set out by the PRA. Accordingly, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing these financial statements.

Political and charitable donations

The Group did not make any political donations during the year (2023: £nil). Further information on charitable donations made by the Group can be found on page 40.

Share capital

The Group is a non-listed public company limited by shares.

Details of the Company's issued share capital, together with details of any movements in the Company's issued share capital during the year, are shown in Note 40 of the Financial Statements.

The Company's share capital comprises one class of ordinary share with a nominal value of £0.01 each. At 31 December 2024, 253,086,879 ordinary shares were in issue. There were no share allotments in 2024.

Restrictions on the transfer of shares

According to the Articles of Association and prevailing legislation there are no specific restrictions on the transfer of shares of the Company.

Rights attaching to shares

On a show of hands, each member has the right to one vote at General Meetings of the Company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No one person has any special rights of control over the Company's share capital and all shares are fully paid.

New issues of share capital

Subject to the Framework Agreement and under Section 551 of the Companies Act 2006, the Directors may allot equity securities only with the express authorisation of the Shareholder. Under Section 561 of the Companies Act 2006, the Board may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to the Shareholder to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the Shareholder.

Purchase of own shares by the Company

Subject to the Framework Agreement and under Section 701 of the Companies Act 2006, the Group may make a purchase of its own shares if the purchase has first been authorised by a resolution of the Shareholder.

Substantial shareholdings

The Group is 100% owned by Marlin Bidco Limited.

Auditor

Resolutions to reappoint KPMG LLP as the Group's auditor and to give the Directors the authority to determine the auditor's remuneration will be proposed at the Annual General Meeting.

Disclosure of information to the auditor

The Directors confirm that:

- so far as each of the Directors is aware, there is no relevant audit information of which the auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006.



Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors must prepare the Group financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements on the same basis.

Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing the Group's financial statements, the Directors are required to: properly select and apply accounting policies; present information; including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements of the relevant accounting standard is insufficient to enable an understanding of the impact of particular transactions, other events and conditions on the entity's financial position and financial performance. Finally, the Directors must assess the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company, enabling them to ensure that its financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Group's assets and, hence, take reasonable steps to prevent and detect fraud and other irregularities. The Directors are responsible for maintaining and ensuring the integrity of the corporate and financial information included on the Group's website at **shawbrook.co.uk**. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 51 to 53, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report (on pages 1 to 48) and the Directors' Report (on pages 81 to 83) include a fair review of: (i) the business's development and performance and (ii) the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for the Shareholder to assess the Group's position and performance, business model and strategy.

This Directors' Report was approved by the Board of Directors on 26 March 2025.

By order of the Board.

Andrew Nicholson
Company Secretary

Risk Report

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Approach to risk management

Shawbrook Group plc and its subsidiaries (together, the 'Group') seek to manage the risks inherent in its business activities and operations through close and disciplined risk management. This aims to quantify the risks taken, manage and mitigate them as far as possible and price for them in order to produce an appropriate commercial return through the cycle.

The Group's approach to risk management continues to evolve in response to changes in the business model and the products offered and changes in the way customers want to engage with the Group, as well as external changes and developments such as ongoing challenges resulting from the elevated interest rates and the impact on cost of living through refinance risk.

Throughout 2024, further investment was made in key areas of risk management. Notable activities and changes include the following:

- The annual and interim review of the Group's Risk Management Framework (RMF) and risk appetite were approved in April 2024 and December 2024, respectively. In December 2024 the Group promoted Transformation Risk to a Principal Risk, to reflect the focus on further digital innovation across the Group to support how customers want to engage with us.
- The Group has continued to evolve its sustainability strategy, focusing on those areas in which it can deliver the greatest impact. This includes its climate strategy where the Group has continued to invest in climate data to improve data quality and transform this into actionable insights to support with physical and transition risk assessments and opportunities across its portfolios.
- Enhancements to the Group's financial crime control environment have continued with all originations continuing to pass through a financial crime and compliance platform together with sanctions screening taking place for all inbound and outbound payments.
- The Group has implemented a new unified and connected risk, control, and assurance system and throughout 2024 has implemented the risk taxonomy covering c.80 risks and has embedded its key controls, all of which were tested for design and operating effectiveness where the key controls have operated. The new system provides real-time updates on risks, controls and assurance actions.
- The Group does not have an Internal Ratings Based (IRB) permission to use its own models for regulatory capital purposes but has continued to implement SS1/23 'Model risk principles for banks' in line with best practice given the growth in size and complexity of the Group. This included the development of a new digital Model Vault to manage the development, monitoring, and validation of its new and existing models. The Group has also started to use its new cloud native analytical platform to drive efficiency through 'always on' monitoring and has developed its first closed loop machine learning test application which is being tested in parallel against an existing application. The Group understands the potential opportunities and risks attached to Artificial Intelligence (AI) and has developed and implemented an AI use case policy. The Group has also implemented a first joint Python and SAS application demonstrating the capability and strengths of its new cloud-based analytical platform.
- The Group completed the acquisition of JBR Auto Holdings Ltd (JBR), a UK specialist motor finance lender focused on high-end vehicles in September 2024. JBR is a wholly owned subsidiary of Shawbrook Bank Limited within the Retail franchise.
- The Group appointed a new Chief Credit Officer in January 2024 as part of its planning for the retirement of the existing role holder in May 2024 to ensure consistency of credit risk leadership.
- In its Commercial franchise, the Group has continued to invest in its credit risk capability. This has included a portfolio management team to oversee the management of Real Estate exposures above an internal risk guided threshold. The Group has built risk distribution solutions to help SME customers continue to grow with a transaction to transfer some of the risk to a rated third party completed in November 2024. The Group has also signed up to the Enable Guarantee programme to support its Development Finance customers.
- In response to the ongoing changes in the economic environment, the Group continues to maintain a focus on affordability, ensuring its models and policies remain appropriate and closely aligned to customer behaviour. The Group has continued to conduct regular portfolio reviews, with the benefit of external information to ensure that its risk appetite remains appropriate.



Naming of disclosed lending segments
In 2024, the Group's disclosed lending segments have been revised. In response to the organisational redesign undertaken during the year to align with the new consolidated Commercial and Retail franchise structure, the previously disclosed Enterprise franchise has been renamed 'Commercial'. The Commercial franchise includes the Group's Real Estate and SME reportable operating segments. Additionally, the previously disclosed Consumer Lending and Retail Mortgage Brands reportable operating segments have been combined into a single franchise, now referred to as 'Retail'. The Consumer Lending reportable operating segment has also been renamed 'Consumer Finance'. The revised naming conventions have been applied to the prior year comparative tables. Further details are provided in Note 11 of the Financial Statements.

Approach to risk management

Key elements to risk management

Effective risk management is recognised as being key to the execution of the Group's strategy. The Group's approach to risk management is underpinned by five key elements:

- Risk strategy
- Risk appetite
- Risk Management Framework
- Governance
- Culture

The following information provides further details about each of these key elements.

Risk strategy

The risk strategy is an integral part of the Group's strategy. It sets out the strategic risk management objectives that will support the achievement of the Group's commercial goals and the operation and activities of each customer franchise that will facilitate the delivery of those aims. The risk strategy sets out which risks are to be acquired or incurred and how they will be managed. The risk strategy is embedded in the Group strategy with short and medium-term objectives outlined in the Group's Risk Plan, which is approved annually by the Board in January. The Group's Risk Plan includes the risk priorities for the Group's risk function, together with the risk plans for the customer franchises and central functions.

The strategic risk management objectives are to:

- identify material risks arising in the day-to-day activities and operations of the Group;
- quantify the risks attached to the execution of the Group's business plans;
- set an appropriate risk appetite with calibrated measures and limits;
- optimise the risk/reward characteristics of business written;
- set minimum standards in relation to the acquisition and management of risk;
- secure and organise the required level and capability of risk infrastructure and resources;
- reflect the impact of internal controls;
- undertake remedial action where any weaknesses are identified; and
- scan the horizon for emerging risks.

Risk appetite

The level of risk that the Group is willing to tolerate in operating the various elements of its business are defined in the RMF. This articulates qualitative and quantitative measures of risk that are cascaded across various areas of the Group's operations, calibrated by reference to the Group's risk appetite and absolute capacity for risk absorption.

During the year ended 31 December 2024, the Group completed the annual review, together with some interim reviews, of the Group's risk appetite where it was appropriate to do so.

The Risk Appetite Statement is not static and evolves to support the Group's business objectives, the operating environment and risk outlook. Whilst the Group Risk Appetite Report provides an aggregated measure of performance against risk appetite, it is not just a reporting tool. It also provides a framework that is used dynamically to inform strategic and operational management decisions, as well as supporting the business planning process.

The Risk Appetite Statement is reviewed periodically by the Risk Committee and agreed with the Board on an annual basis, or more frequently if required. A dashboard with the status of each metric is monitored on a monthly basis by the Executive Risk Committee (ExRC), its sub-committees and the ALCo. The ExRC, Risk Committee, and the Board exercise their judgement as to the appropriate action required in relation to any threshold breach, dependent on the scenario at the time.

As set out in the table on the following page, the Risk Appetite Statement identifies 11 principal risks that are further subdivided into 34 level 2 risks. The objective assessment of each risk appetite level 2 risk is supported by qualitative statements and a series of quantitative measures that are weighted by their importance to the overall appetite.

Approach to risk management

Principal Risks	Level 2 risks	
Strategic risk	• Equality, diversity and inclusion risk • Governance risk	• Sponsorships and partnerships risk
Transformation risk	• Transformation risk	
Credit risk	• Concentration risk • In-life management risk • Losses due to default on contractual obligations	• Losses due to inadequate security/collateral • Underwriting quality risk
Market, liquidity and capital risk	• Capital adequacy risk • Funding risk	• Liquidity risk • Market risk
Operational risk and resilience	• Data quality and governance risk • Fraud risk • Operational resilience risk • People risk	• Physical assets availability, safety and security risk • Statutory reporting and tax risk • Third party risk • Transaction processing risk
Technology and cyber risk	• Technology availability risk	• Technology infrastructure risk
Conduct risk	• Culture and market risk • Customer conduct risk	• Lending to other lenders risk
Compliance and regulatory risk	• Data privacy risk • Regulatory management risk	• Legal risk
Financial crime risk	• Financial crime risk	
Model risk	• Model design and implementation risk • Model governance risk	• Model usage risk
Climate risk	• Environmental and climate risk	

Risk Management Framework

All of the Group's business and support service activities, including those outsourced to third-party providers or originated via brokers and other business intermediaries, are managed within the parameters of a single comprehensive RMF. This sets out minimum requirements and ensures consistent standards and processes are set across the Group. Risks are identified, measured, managed, monitored, reported and controlled using the RMF. The design and effectiveness of the framework is overseen and reviewed by the Risk Committee.

Responsibility for risk management sits at all levels across the Group. The Board sets the 'tone from the top' and all colleagues are expected to adopt the role of 'risk manager' in all aspects of their role.

The RMF describes various activities, techniques and tools that are mandated to support the identification, measurement, management, monitoring, reporting and control of risk across the Group. It is designed to provide an integrated, comprehensive, consistent and scalable structure that is capable of being communicated to and clearly understood by all of the Group's employees.

The RMF also incorporates the organisational arrangements for managing risk with specific responsibilities distributed to certain functions. This ensures that there is clear accountability, responsibility and engagement at appropriate levels within the Group. Operationally, the RMF is organised around a number of Principal Risks (see table opposite).

Governance

All of the Group's risk activities are subject to detailed and comprehensive governance arrangements that set out how risk-based authority is delegated from the Board to the various risk management committees and individuals. Risk governance and oversight is detailed further below, starting on page 88.

Culture

The Group is led by an experienced management team with a combination of significant underwriting expertise, institutional and regulatory banking experience at various major financial institutions and specialist lenders, and product engineering expertise. This heritage provides the platform for a set of values and behaviours where the customer is at the heart of the decision-making process and the customer franchises are held fully accountable for risk performance. At the individual level, this process begins with the induction programme and job descriptions and is carried into the setting of individual objectives and performance reviews which is ultimately reflected in the compensation and reward structure. The Group conducts regular surveys across all of its employees, to help identify any emerging risks and promote ongoing engagement.

Risk governance and oversight

The monitoring and control of risk is a fundamental part of the management process within the Group. Risk governance describes the architecture through which the Board allocates and delegates primary accountability, responsibility and authority for risk management across the Group.

Responsibility for risk oversight is delegated from the Board to the Risk Committee and Audit Committee. However, ultimate responsibility for risk remains with the Board. An abbreviated Board and Executive Committee structure is set out in the Corporate Governance Report on pages 49 to 83, which further describes their roles and responsibilities.

Accountability, responsibility and authority for risk management is delegated to the Chief Executive Officer and Chief Risk Officer, who in turn allocate responsibility for oversight and certain approvals across a number of management committees. The Chief Banking Officers of each customer franchise are assigned the designated role of SMF18 ('other overall responsibility function').

Authority and responsibility for material operational risk management, decision-making and risk monitoring is vested in the Chief Risk Officer and the risk function. Lesser levels of authority are cascaded to senior management within the first line.

These bodies and senior officers are accountable and responsible for ensuring that the day-to-day risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the RMF.

Individuals are encouraged to adopt an open and independent culture of challenge, which is important in ensuring risk issues are fully surfaced and debated, with views and decisions recorded. Risk governance and culture is reinforced by the provisions of the Senior Managers and Certification Regime.

Formal risk escalation and reporting requirements are set out in risk policies, individual committee terms of reference and the approved risk appetite thresholds and limits.

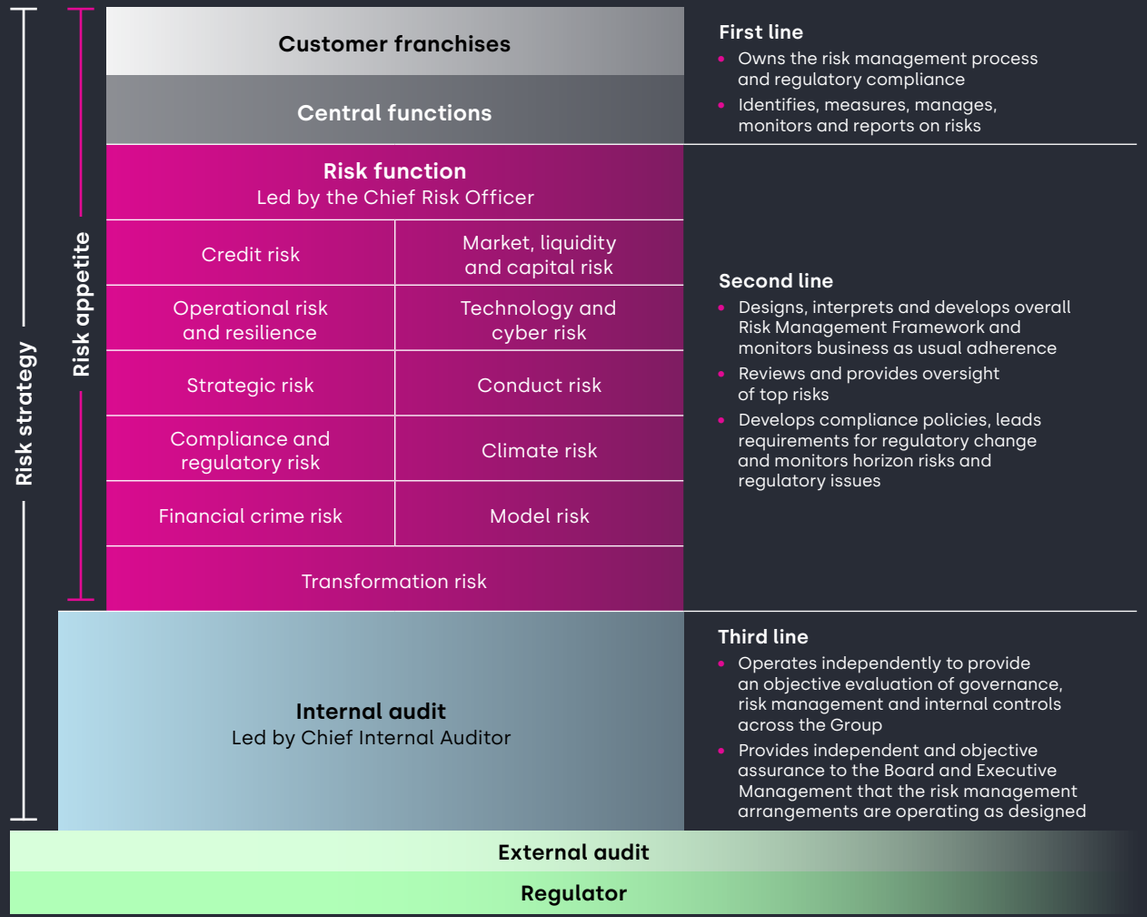
Oversight of principal risks is illustrated as follows.

Oversight / Principal risk	Board			
	Risk Committee			Audit Committee
	First line		Second line		Third line
Strategic risk	Executive Directors and Senior Management	Prudential risk	Executive Risk Committee	Internal audit
Transformation risk	Executive Directors and Senior Management	Operational risk	Op Risk and 3rd Party Oversight Committee	
Credit risk	Credit management in customer franchises	Credit risk	Credit Risk Oversight Committee	
Market, liquidity and capital risk	Treasury	Liquidity and market risk/ prudential risk	Asset and Liability Committee	
Operational risk and resilience	All customer franchises and central functions	Operational risk	Op Risk and 3rd Party Oversight Committee	
Technology and cyber risk	Chief Technology Office	Operational risk	Op Risk and 3rd Party Oversight Committee	
Conduct risk	All customer franchises	Compliance	Conduct/Compliance Oversight Committee	
Compliance and regulatory risk	All customer franchises	Compliance	Conduct/Compliance Oversight Committee	
Financial crime risk	All customer franchises	Financial crime	Financial Crime Risk Oversight Committee	
Model risk	All customer franchises and central functions	Prudential risk	Model Risk Oversight Committee	
Climate risk	All customer franchises and central functions	Prudential risk	Conduct/Compliance Oversight Committee	

Risk governance and oversight

Three lines model

The RMF is underpinned by the three lines model, which is summarised in the illustration below:



Additional information regarding the three lines are provided in the following sections.

First line

Responsibility for risk management resides in the frontline customer franchises together with the central functions. Line management is directly accountable for identifying and managing the risks that arise in their business or functional area. They are required to establish effective controls in line with the Group's risk policies and act within the risk appetite parameters set and approved by the Board.

The first line comprises the customer franchises and the central functions. The central functions include:

- the finance function led by the Chief Financial Officer;
- the customer service and experience function led by the Customer Operation and Service Support Director;
- the technology function led by the Chief Technology Officer;
- the human resources and marketing function led by the Chief People and Marketing Officer; and
- the legal function led by the General Counsel.

Operational Resilience oversight is performed by Risk Services, a shared service in the Risk Function.

Each functional area operates to set risk policies to ensure that activities remain within the Board's stated risk appetite for that area of the Group. The risk policies are approved by the appropriate committee in accordance with their terms of reference and are reviewed annually, with any material changes requiring approval at committee level.

The first line has its own operational policy, process and procedure manuals, and controls to demonstrate and document how it conforms to the approved policies. Likewise, it develops quality control programmes to monitor and measure adherence to and effectiveness of procedures. All employees within a customer facing unit are considered first line. Each employee is aware of the risks to the Group of their particular activity and the customer franchise and central function leadership teams are responsible for ensuring there is a 'risk aware' culture within the first line. For certain key policies, employees within the customer franchises complete regular online training programmes to ensure knowledge is refreshed and current.

Risk governance and oversight

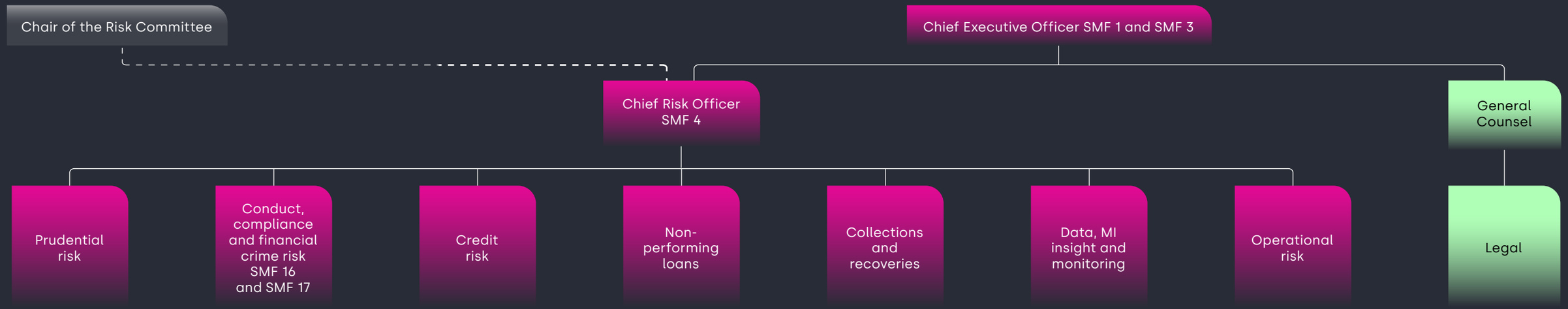
Second line

The second line comprises the Group's independent risk management function led by the Chief Risk Officer. The Chief Risk Officer reports to the Chief Executive Officer and laterally to the Chair of the Risk Committee. The Chief Risk Officer is also provided with unfettered access to the Chairman of the Board. The second line also includes the General Counsel, who reports to the Chief Executive Officer.

The second line is necessarily and deliberately not customer facing and has no responsibility for any business targets or performance. It provides independent challenge and control of the first line, which is delivered through the following:

- the design and build of the various components of the RMF and embedding these, together with the risk strategy and risk appetite, across the Group;
- independent monitoring of the Group's activities against the Board's risk appetite and limits, and provision of monthly analysis and reporting on the risk portfolio to the ExRC (or appropriate sub-committee), the Risk Committee, and the Board;
- issuing and maintaining the suite of Group risk policies and associated standards;
- in relation to outsourced services, the setting of policies and subsequent assessment of policy conformance;
- undertaking physical reviews of risk management, controls and capability in the first line and providing risk monitoring reports to the ExRC (or appropriate sub-committee), the Risk Committee and the Board on all aspects of risk performance and compliance with the RMF;
- providing advice and support to the first line in relation to risk management activities;
- credit approvals between delegated authority and the threshold for Credit Approval Committee; and
- undertaking stress testing exercises and working with the finance and treasury functions on the production of the ICAAP, ILAAP and Recovery Plan and Resolution Pack.

The Group's high-level risk structure is illustrated below. 'SMF' references included in the below diagram refer to designated roles stipulated by the Senior Managers and Certification Regime.



Risk governance and oversight

Third line

The third line comprises the internal audit function, led by the Group's Chief Internal Auditor.

The third line provides independent assurance directly to the Audit Committee and Board on the activities of the Group, including governance, the effectiveness of the RMF, and internal controls. The internal audit function reports directly to the Chair of the Audit Committee, as well as the Chief Executive Officer, and is independent of the first and second lines.

The third line has access to the activities and records of both the first and second lines. It can inspect and review adherence to policies and controls in the first line, the monitoring of activities in the second line and the setting of policies, standards and controls in the second line.

The third line does not independently establish policies or controls itself, outside of those necessary to implement its recommendations with respect to the other two lines. The third line may in some cases use the reports and reviews compiled by the second line as a starting point but is not restricted to them or necessarily influenced by their findings.

The scope of work of the third line is agreed with the Audit Committee and is designed to provide an independent assessment of the adequacy and effectiveness of governance, risk management and the internal control frameworks operated by the Group and to note the extent to which the Group is operating within its risk appetite. It does this by reviewing aspects of the control environment, key processes and specific risks and includes a review of the operation of the second line.

Risk policies and controls

The RMF is enacted through a comprehensive suite of policies and associated standards that set out the minimum standards in relation to the acquisition and management of lending assets and liabilities, as well as the control of risks embedded in the Group's operations, activities and chosen markets.

The Group's policies and associated standards are overseen by the Group's risk function, headed by the Chief Risk Officer and are approved by the Board or, where delegated, the appropriate risk oversight committee. The suite of policies and standards is grouped according to importance and principal risk within a Board approved policy hierarchy and framework.

Group-level policies and standards are supplemented, as required, by customer franchise specific policies, guides, processes and procedures, which detail more specific and tailored criteria. The customer franchise and central function specific processes and procedures are required to be compliant with Group policy and dispensations or waivers are required where gaps are identified. These process and procedure manuals provide employees at all levels with day-to-day direction and guidance in the execution of their duties.

The effectiveness of, and compliance with, risk policy frameworks are evaluated on a continuous basis through the monthly reporting requirements (including risk policy exceptions reporting).

Additionally, regular risk and control self-assessments, supplemented by a programme of audits, thematic risk monitoring reviews and control testing, is undertaken by each of the three lines. During 2024, the Group ran an enhanced capability assessment to support the annual attestation process, which confirms compliance with the RMF and identifies risk management priorities over the duration of the strategic planning cycle.

Asset class policies

The Group controls its lending activities through an established Credit Risk Framework defined by eight Group credit policies and 19 individual asset class policies. This provides a stable, consistent risk standard and control across the Group's portfolio of loan assets. Asset classes can also be aligned more readily with risk-weightings, probability of default (PD), loss given default (LGD) and expected credit loss (ECL) metrics, which facilitates risk reporting, risk-adjusted profitability analysis and modelling for stress testing and capital adequacy purposes. During 2024, the Group continued to utilise a matrix that sits above the asset class policies to highlight the key criteria that are reserved for Board approval.

Asset class policies are structured on the basis of policy rules, which must be adhered to, and guidelines, where an element of controlled discretion is permitted. All planned exceptions to policy rules require approval at the risk function level and both planned and unplanned exceptions to policy rules are reported monthly to the relevant risk management committee.

Top and emerging risks

The Group's top and emerging risks are identified through the process outlined in the RMF (see page 166) and are considered regularly by the risk oversight committees, ExRC and subsequently by the Risk Committee.

- Top risks are those risks that could cause the delivery of the Group's strategy, results of operations, financial condition and/or prospects to differ materially from expectations.
- Emerging risks are those that have unknown components, the impact of which could crystallise over a longer period and could include certain other factors beyond the Group's control, including escalation of terrorism or global conflicts, natural disasters, epidemic outbreaks and similar events.

As at 31 December 2024, the Group has identified nine top risks and no emerging risks. This is unchanged compared to 2023.

The nine themes identified as top risks are as follows:

- Economic and competitive environment
- Credit impairment
- Geopolitical risk
- Intermediary, outsourcing and operational resilience
- Technology, information and cyber security risk
- Pace and scale of regulatory change
- Pace, scale of change and people risk
- Financial crime
- Climate risk

In the following pages, the below symbols are used to illustrate the change in risk environment during the year for each of the Group's top risks.

↑ Risk increased ↓ Risk reduced ↔ No change

Information on the following pages provides a review of each of these themes.
Links to key performance metrics provided in these reviews refer to those detailed in the 'Shawbrook in numbers' summary.

Top and emerging risks

Economic and competitive environment

Overview

The UK economy has stalled following the initial response to the Budget with growth in 2025 revised down to just over 1.4% despite the rise in government spending as firms look to pass on costs to customers which may drive inflation or reduce costs to offset the increase in the minimum wage and employers National Insurance Contributions (NICs).

The expected near-term path for interest rates has eased down slightly, and with stickier inflation, a fall in Bank of England Bank Rate to 4% by the end of 2025 is currently priced in. The concern is that inflation lingers on for longer.

Consumer confidence did rise following the Budget, but typical households saw energy bills rise by 10% in October 2024, and retail footfall was 10% lower than the previous year, suggesting that despite rising real wages, consumers are being cautious.

Risks to residential and commercial property prices are lower than they were in H1 2024 with the outlook flat for 2025 given the monthly cost of new mortgages.

Political developments globally are the key source of uncertainty in the coming months linked to the potential for tariffs impacting trade agreements and the economic performance of trading partners in the EU. In the UK, the lower private sector activity and the potential for unemployment as labour becomes more expensive remains a key risk.

Links to key performance metrics

- Loan book
- Customers served
- Cost of risk
- Net interest margin
- CET1 capital ratio
- Total capital ratio

How this could impact our strategy or business model

- Reduced gross lending from lower demand as customers defer major purchases and investment in light of higher interest rates and lower real income leading to lower buying power. This may be partly offset by lower early repayments of loans.
- Increased impairments if a significant number of SMEs experience financial distress or insolvency, or if consumers experience an increase in unemployment.
- A prolonged economic downturn may impact the Group's ability to fund strategic investment to meet the needs of customers and improve operations.
- Rising competition, or a sudden reduction in interest rates to support the economy, may compress Group margins and impact on target returns.

How we manage this risk

- The Group continues its digital journey and, following the success of the launch of the MyShawbrook portal for buy-to-let, bridging and commercial investment product ranges, Lending Hub was implemented to streamline the application process through the provision of fast valuation-backed credit decisions. This tool will help the Group to enhance the customer experience whilst allowing the Group to react quickly to changes in the macroeconomic environment.
- The Group has implemented its new savings digital journey and has now migrated over 115,000 existing customers on to the new platform with all existing customers expected to be migrated by Q1 2025.
- The Group continues to deploy its proprietary portfolio management tool to provide powerful insights into monitoring loan book risk and performance across its Retail and Commercial franchises. The Group has continued to evolve its early warning indicators within its interactive dashboard, which now provides a daily update on key emerging risk indicators.
- The Group continues to consider its risk appetite in its selected markets. In 2024 the Group hosted regular in-focus sessions with external experts in its key markets and completed regular product and sector reviews to identify any early warning indicators.
- Investment in additional resources in the first and second line continues to strengthen the Group's ability to identify and manage potential problem loans.
- The Group undertakes a comprehensive assessment of its risk appetite under baseline and alternative scenarios to ensure that it can meet its objectives in plausible economic conditions.

Focus areas for 2025

- Targeted application of risk appetite in carefully selected sectors to align with the economic outlook as it emerges.
- Scale the business through the implementation of further automation in lending, customer management (particularly in SME lending), savings operations and digital self-service.
- Utilisation of third parties and technology to increase capacity in originations, servicing and collections activities in order to position the Group to meet the needs of its customers.
- Continue to invest in outsourcing controls and oversight to manage any additional risk that the Group may be exposed to.
- Support the wider adoption of Agile through the embedding of the product and engineering model and additional transformation controls.
- Investment in technology resources to deliver the engineering requirements of the accelerated digital strategy and internal controls.

Top and emerging risks

Credit impairment

Overview

The Group's growing loan book brings with it exposure to credit impairment if customers are unable to repay loans and any outstanding interest and fees.

The economic outlook will play a key role in driving the impairment profile in the foreseeable future. An elevated interest rate and inflation environment, and cost of living impacts on real income/profits could impact affordability/liquidity for both individuals and businesses. In turn, this could put upward pressure on the Group's cost of risk. Retail customers and SMEs are particularly vulnerable to interest rates and increased energy costs.

Links to key performance metrics

- Cost of risk
- CET1 capital ratio
- Total capital ratio

How this could impact our strategy or business model

- Increases in credit impairment could lead to a material reduction in profitability and retained earnings. In turn, this may impact the Group's capital ratios and its ability to meet its objectives.
- Lack of preparation for the transition from origination to in-life management may lead to missed opportunities to support customers, potentially causing increased impairment and customer harm.

How we manage this risk

- The Group's risk appetite is calibrated to facilitate achievement of the business strategy and is modified as required to reflect uncertainty in the economic and competitive landscape.
- The Group has enhanced its underwriting guidelines and affordability policy to ensure that it remains appropriate in the current and emerging environment. Asset class policies have also been cautiously reviewed to position the Group appropriately. The Group has also implemented a portfolio management approach for individually material counterparties.
- Additional investment in permanent employees to focus on potential problem loans has ensured continued robust and appropriate management of the watchlist and forbearance cases and will continue to respond proactively to uncertainty in the economic outlook.
- The impact on impairment models is regularly monitored and reported to internal committees and judgemental adjustments to modelled ECLs are reviewed by the Model Risk Oversight Committee and approved by the Group Watch and Impairment Committee.
- The Group has developed additional capability in risk distribution to continue to support hold levels for existing customers through a credit insurance swap solution and has signed up to the Enable Guarantee programme to support its Development Finance customers.

Focus areas for 2025

- Increase focus on product and sectoral risk to support the Group's evolution of risk appetite in an uncertain economic environment.
- Continue to develop strategic credit management information to ensure timely and accurate reflection of risk in the Group's lending segments, thus enhancing the Group's ability to make proactive decisions.
- Complete the implementation of the end to end and digitally enabled Credit Management Platform (CMP) to manage SME credit risk from origination, through in-life management, and potential problem management.
- Continue to develop the granularity and accuracy of the Group's stress testing capability.
- Regular review of the evidence supporting all key areas of judgement used in support of the model-based ECL.

Top and emerging risks

Geopolitical risk

Overview

The geopolitical environment remains uncertain, with continued conflicts in Ukraine and the Middle East, and the potential impact of tariffs on trade agreements following the US election and the economic performance of key trading partners in the EU. In the UK, there is now more certainty following the Budget but risks remain to the downside including inflation, growth, and the potential for further tax changes.

The Group operates predominantly in England, Wales, and Scotland and has no direct exposure to Russia, Ukraine or the Middle East. However, the Group is exposed to the second order impacts on supply chains and the impact of inflation on the real incomes of its customers.

The Group continues to ensure all important business services are operationally resilient in the event of geopolitical uncertainty.

Links to key performance metrics

- Loan book
- Cost to income ratio
- Customers served
- Cost of risk
- CET1 capital ratio
- Total capital ratio

How this could impact our strategy or business model

- Lower economic growth, labour shortages and disruption to supply chains could impact the level of private sector investment in the UK. In turn, this could negatively impact on demand for loans, funding and deposits.
- Trade disagreements or tariffs, particularly if any are imposed by the new US Administration, could potentially elevate economic issues, as seen with the rise in inflation during 2022. This could lead to higher interest rates and may impact loan impairments.
- Credit spreads could widen leading to reduced investor appetite for the Group's debt securities. This could impact the Group's cost of and/or access to funding and the ability to grow its loan portfolios.
- The Group's operational resilience may be impacted by the need to transition activities from non-UK firms.

How we manage this risk

- The Group undertakes a comprehensive assessment of its risk appetite and stress tests its lending and deposit portfolios to ensure that it can meet its objectives in plausible economic conditions.
- The Group regularly engages with its critical suppliers to foresee and mitigate any impact on services provided to the Group.
- The Group continues to strengthen and optimise its capital position and pursue a diversified funding structure. The Group has implemented a Euro Medium Term Note (EMTN) programme to support capital issuance to optimise the capital stack, markets permitting. The Group has completed a number of full stack and retained securitisations of its loan portfolios and has invested in the capability to complete additional securitisations, markets permitting.
- The Group monitors and screens for sanctions issued by the UK (The Office of Financial Sanctions Implementation) and USA (The Office of Foreign Assets Control).
- The Group has reviewed its register of outsource providers and has no gaps in EU General Data Protection Regulation Article 28 clauses.
- The Group has identified all cross border data transfers recorded within the Record of Processing Activities (ROPA) and issued contract variations to all suppliers who process data outside the EEA.
- The Group continues to test the resiliency of its key third parties through business impact assessments and test of exit plans.

Focus areas for 2025

- Ensure that all outsourcers and third parties are operationally resilient in the event of geopolitical uncertainty, including the review of business continuity plans and disaster recovery plans and regular tests of technology resilience using tools such as penetration testing.
- Continue to develop a range of mitigating actions, including the use of robust stress tests that contain the risk of geopolitical risk by comparing the economic scenarios assessed in IFRS 9 with those used in the ICAAP.
- Continue to monitor the situation in Ukraine and the Middle East. Although the Group does not have any direct exposure, it does have indirect exposure, for example the impacts of rising oil and energy prices, cost of living and inflation, potential supply chain issues faced by customers and increased cyber security threats. The Group has updated its affordability policy and will continue to monitor to ensure that its lending remains appropriate. The Group will continue to closely monitor the cyber perimeter and information security risks, as detailed on page 97, and will continue to engage with key third parties.

Top and emerging risks

Intermediary, outsourcing and operational resilience

Overview

The Group uses a number of material third parties to support the delivery of its objectives. The availability and resilience of its services, core customer facing systems and ability to operate in line with regulatory requirements play a key role in supporting the Group's reputation in its chosen markets.

The specialist nature of some of the Group's lending through intermediaries and brokers could mean some customers find themselves with an increased risk of an unfavourable outcome. This may result from the interpretation of Mortgage Conduct of Business regulation, Consumer Credit sourcebook, the Consumer Duty and other regulations, along with the oversight of third parties where it may be exposed to Consumer Credit Act Section 75 and Section 140 risk.

Links to key performance metrics

- Loan book
- Customers served
- Cost to income ratio
- Liquidity ratio

How this could impact our strategy or business model

- The Group may be impacted by the failure of material third parties to deliver on the Group's policies and regulatory obligations. This may lead to increased complaints, customer harm, redress costs and damage to the Group's reputation through regulatory censure. This may also lead to increased contingent liabilities in certain areas where the Group is exposed, which impacts on the Group's profitability and capital resources.
- The Group, as a deposit taker, could be impacted if a systems failure prevented a significant number of payments being made, which may lead to financial stability being undermined.
- The potential for sustained operational disruption could have a material impact on profitability or viability.

How we manage this risk

- The Group has continued to invest in its relationships with its key third parties, with a focus on good customer outcomes, particularly as customers deal with heightened cost of living pressures. This has included increased reporting on the performance of material third parties at the Operational Risk and Third-Party Oversight Committee, ExRC, Risk Committee and Board, as appropriate.
- The Group has identified all of its important business services and, through investing in resources to improve controls and develop contingency solutions and plans to help mitigate service disruption, has met the regulatory requirements for operational resilience in advance of the 31 March 2025 milestone.
- The Group continues to operate an annual operational resilience roadmap to demonstrate the ongoing commitment to operational resilience utilising the important business service dashboard to monitor resilience risks and improve controls.
- The Group has further invested in both cloud and on-premise technologies to increase the resilience of its core systems, provide backup for core information and automate its key management information. This has also included the onboarding of climate related management information. The Group has further invested in its capability through the completion of a cloud native analytic platform that can reach data wherever it is located.

Focus areas for 2025

- The annual operational resilience roadmap for 2025 focuses on enhancing live scenario testing, digitalising data analysis and reporting, and readiness of the Retail Mortgage Brands for operational resilience regulation.
- Continue to review the Group's contracts to meet the requirements of SS2/21 on outsourcing and third-party management, as well as focusing on embedding SS4/21 on operational continuity in resolution, including the impact on risk appetite.
- Continue to work closely with the Group's partners to ensure that appropriate and, where necessary, skilled capacity is in place to service the expected increase in customer contact in case of a sudden increase in arrears.
- Continue to accelerate investment in digital enhancements across the Group, including tools to manage third party risk, and automation of key controls.

Top and emerging risks

Technology, information and cyber security risk

Overview

The cyber threat remains significant and high profile across all industries. Cyber security and information risk continues to be a focus area for regulators and is increasingly assessed as an integral part of operational resilience. This includes an increase in public awareness on cyber risk in the face of increasingly targeted, destructive ransomware attacks experienced over recent years in the market.

Information and cyber security risk is further heightened by the continued conflict in Ukraine and the Middle East.

Links to key performance metrics

- Loan book
- Customers served
- CET1 capital ratio
- Total capital ratio
- Cost to income ratio

How this could impact our strategy or business model

- Increasing customer demand could exceed the Group's ability to provide highly reliable and widely available systems and services, leading to a fall in confidence and customer attrition.
- The evolving nature and scale of criminal activity could increase the likelihood and severity of attacks on the Group's systems.
- Customer franchise value and customer trust could be significantly eroded by a successful attack on the Group's systems, leading to a denial of access to systems, a diversion of funds or the theft of customer data.

How we manage this risk

- The Group continually reviews its control environment for information security to reflect the evolving nature of the threats to which the Group is exposed.
- The Group's strategy for mitigating information security risk is comprehensive, including a documented cyber strategy, ongoing threat assessments, regular penetration testing, the wide deployment of preventative and detective controls and a programme of cyber awareness education and training.
- The Group continues to invest in its technology layer, including the use of hybrid multi-cloud computing resources to improve resilience and the implementation of additional controls to support the security of its core systems. This includes investment in a continuous third-party security monitoring tool.
- The Group has implemented further changes to support the simplification and resiliency of its technology leveraging the cloud. This includes the completion of a new telephony system and the migration of key technology for the Retail Mortgage Brands businesses to the Shawbrook environment.
- Development of customer franchise specific application and data heatmaps to manage legacy system risk, resilience and the build-up of technical debt.
- In response to continued global conflict and the increase in security threats, the Group's Information Security team continues to operate at a heightened state of awareness in response to threat intelligence and security alerts. This includes regular communications with employees to enhance vigilance and raise cyber awareness and engagement with critical third parties to understand their action plans in light of the increased risk.

Focus areas for 2025

- Continue to invest in capabilities to enhance the Group's cyber resilience position and reduce the exposure to a cyber attack.
- Continue to embed the chief technology office and information security controls within the Group's outsourcers and third parties, utilising the Group's third-party security perimeter monitoring.
- Continue the Group-wide implementation of data ownership and controls to promote improved accuracy of source customer data and improvements in management information.
- Continue to evaluate and deploy new and emerging technology tools to identify and/or mitigate cyber threats as well as to increased awareness culturally.
- Continue the Group-wide implementation of Agile through the embedding of the product and engineering model.
- Technology objectives in 2025 include continued investment in the customer journey by enhancing applications achieved through focus on end users and customers, championing a Group-wide data roadmap to bring the collective efforts together and drive cohesion, literacy, ownership and security, a focus on operational and cyber resilience and a relentless pursuit of simplification together with reducing technical debt.

Top and emerging risks

Pace and scale of regulatory change

Overview

The prudential and conduct regulatory regimes are subject to change and could lead to either an increase in the level and quality of financial resources or change in policies and processes to meet regulatory requirements. The FCA continues to prioritise the importance of effective culture and controls, and this is referenced in their 2025 priorities.

In relation to financial risk, the final rules on the implementation of Basel 3.1 were published in 2024 with an implementation date of 1 January 2027.

The financial sector will also continue to embed climate risk regulation and industry standards, which are subject to evolve over the coming years and will form a key part of the business strategy. These include the expected impact of ISSB regulations, which will require additional disclosures on the path to net zero and interim targets. The PRA is expected to publish further guidelines through a revised SS3/19.

In relation to non-financial risks, implementation of operational resilience and third party and outsourcing regulations will continue, along with other high priority regulatory initiatives as published in the Regulatory Initiatives Grid, including regulatory reviews following the implementation of the new Consumer Duty.

Links to key performance metrics

- Loan book
- Cost to income ratio
- Cost of risk
- CET1 capital ratio
- Total capital ratio

How this could impact our strategy or business model

- An increase in minimum regulatory capital requirements may directly impact on the Group's risk appetite and its ability to support its lending to current and potential future customers.
- Changes in regulatory capital requirements may lead the Group to change its business mix, exit certain business activities altogether, or not expand in areas despite otherwise attractive potential.
- An increase in minimum regulatory capital requirements may restrict distributions on capital instruments. This may impact upon the Group's ability to issue new, or refinance existing, capital instruments.
- Frequent change in regulation could also have wide ranging impacts beyond financial resources reflected through changes in internal policies and processes, people and systems resources, product offerings and the markets and customers served by the Group.

How we manage this risk

- The Group engages with regulators, industry bodies and advisors to actively engage in consultation processes. The Group reviews regulatory publications to assess their implications for the business and oversees the impact analysis through its Regulatory Change Working Group. Key regulatory updates are then cascaded to relevant stakeholders throughout the business.
- The Group has launched a programme to assess the impact of Basel 3.1 and implement the relevant requirements. Following the PRA decision to delay the implementation date and pending further clarification from the PRA, the programme has temporarily been put on hold.
- The Group follows its prudential programme to update its ICAAP, ILAAP and Recovery Plan and Resolution Pack and considers the conclusions in the regular business planning processes that have taken place during the year.
- Completion of £412.6 million securitisation of owner-occupied mortgages originated through Bluestone Mortgages in October to further optimise the capital stack.

Focus areas for 2025

- Design and implementation of the Basel 3.1 implementation requirements in advance of implementation in 1 January 2027.
- Ongoing stress testing of the Group's lending portfolios to quantify the impact of any changes on the strategy and business model.
- Completion of the annual review of the ICAAP and Recovery Plan and the Capital Supervisory Review and Evaluation Process.
- Ongoing monitoring of controls to support the monitoring of the Consumer Duty and the treatment of customers in Financial Difficulty. Investment in maturity of internal controls and monitoring.

Top and emerging risks

Pace, scale of change and people risk

Overview

The Group needs to deliver a significant number of projects over the duration of its 2025 plan in order to deliver on its objectives. Failure to deliver the required change may lead to disruptions in the delivery of its objectives.

Sustainability is a key pillar of the Group's purpose-led strategy and reflects the importance of sustainability, and equality, diversity and inclusion (EDI) in driving the long-term strategy and business model.

Links to key performance metrics

- Loan book
- Customers served
- Cost to income ratio
- Net interest margin
- CET1 capital ratio
- Total capital ratio

How this could impact our strategy or business model

- Delivering what customers need and in the way that they want to engage with the Group is essential to delivering the Group's objectives and failure to do this may impact on originations, customer retention and profitability.
- People risk remains a key factor. Improvement in technology continues to create options for people to live and work from a place of their choice and firms that lag behind in their employee value proposition might find it difficult to attract the right talent.
- Failure to protect employees and promote mental health and wellbeing could lead to higher absence and lead to a reduction in employee engagement. This in turn could impact upon the Group's ability to look after its existing customers.
- A clear and purposeful sustainability strategy is key to supporting long-term sustainable performance, including strong engagement from all employees.

How we manage this risk

- During 2024, the Group has continued to evolve and mature its technical and product change execution model. Delivery activity is centralised within the chief technology office. Regular committees now provide Group-wide oversight of change activity and associated risk management. The Change Delivery Policy, which governs all technology and product change activity, has been revised to reflect the wider adoption of agile delivery methodologies and to more clearly define quality assurance, information security and release management approaches.
- The Software Engineering, Quality Assurance and Delivery disciplines are now fully integrated within the chief technology office, providing an optimised organisational model for collaboration with the Product, Data and Experience Design disciplines.
- The Group continues to develop its employee value proposition to attract and retain the best talent to support its business strategy. The Group has adopted hybrid working, providing the opportunity to access a wider talent pool across the UK, as well as completion of the new London office to support greater engagement and collaboration across the business and functions. The Group offers employees membership to a wellbeing app and access to an online GP service and completes a comprehensive workplace assessment process, with the provision of additional support and/or equipment where reasonable adjustments are required.
- The Group regularly conducts its employee engagement survey to gather views and suggestions from its employees to facilitate the creation of the best possible working environment. The Group maintained a positive employee engagement score in the latest survey conducted in November 2024 of 81% (2023: 84%).
- The Group has launched a Sustainability Sub-Committee and EDI Steering Committee, which focuses on four key pillars (belonging, race, gender and social mobility).
- The Group works with a number of external partners to build collaboration, insight and leverage best practice that will support employees and customers. This includes a partnership with the rugby union team, Saracens and supporting the Saracens Foundation, whose mission is to transform lives both on and off the pitch in order to build stronger communities. Last year the Group announced an extension for an additional five years, including sponsorship of the three elite teams and including support for as big a positive impact as possible across women's sport, equality and inclusion. In addition, the Group works closely with Future First, helping ensure young people from disadvantaged backgrounds have access to the networks and knowledge needed to reach their full potential.

Focus areas for 2025

- The Group has organised its strategic change priorities into a roadmap through which to prioritise its resources. Delivery of this roadmap is key to the Group's objectives and will continue throughout 2025.
- Continue to advance the digital strategy through investment in people, governance and delivery framework, and technological resources to deliver the Group's objectives.
- Continue to work with external partners to further create opportunities to create future leaders.

Top and emerging risks

Financial crime

Overview

Financial crime is any kind of criminal conduct relating to money or to financial services or markets. This includes any offence involving:

- fraud or dishonesty;
- misconduct in, or misuse of information relating to, a financial market;
- handling the proceeds of crime; or
- the financing of terrorism.

Although the risk has always been present in the financial services industry, the increased use of digital channels has elevated the risk profile. With the development of technology, the type and impact of financial crime activities is likely to increase over the coming years.

Links to key performance metrics

- Loan book
- Cost to income ratio
- Customers served
- Cost of risk

How this could impact our strategy or business model

- An inadequate control environment for financial crime could lead to increased operational losses, credit impairment, increased manual reviews and potentially regulatory enforcement, restrictions on business growth and acquisitions, penalties and/or censure.
- The reputational damage associated with financial crime could cause loss of customers and intermediaries, impacting the Group's revenues and financial position and/or regulatory standing.
- The current hybrid working environment and the transition of resources to new work activities may impact the effectiveness of existing controls and increase internal fraud opportunities.

How we manage this risk

- The Group continues to enhance its control environment with respect to financial crime. This is closely monitored by the Compliance and Conduct Oversight Committee, ExRC and Risk Committee.
- An automated customer due diligence and in-life management tool is now fully embedded. The tool provides enhanced financial crime management information and is supported by control testing.
- The Group conducts a Group-wide financial crime risk assessment to assess compliance with Group policies. This focuses on the following risk categories: money laundering and terrorist financing risk, bribery and corruption risk, sanctions risk, tax evasion risk and fraud risk.
- The Group uses a combination of mandatory reads of policy, online training and communications to increase awareness of best practice.

Focus areas for 2025

- Continue to focus on adherence to economic sanctions and the shifting regulatory environment, in line with new and updated UK financial crime regulations.
- Monitor the increasing complexity of financial crime threats and any potential or actual changes to the legislative framework to manage the emerging threats.
- Fully integrate subsidiaries into the Group Financial Crime Framework ensuring enhanced controls, resources and automation in place to mitigate the risk of regulatory breach. Continue to leverage the capabilities of the business intelligence platform to ensure effective fraud and financial crime management information across the Group enabling identification and monitoring of key trends and better support impacted customers.

Top and emerging risks

Climate risk

Overview

Climate change and society's response to it presents financial risks which impact the Group's objectives. The risks arise through two primary channels: the physical effects of climate change and the impact of changes associated with the transition to a lower carbon economy.

Climate risk is an ongoing risk and a continued area of focus for the Group. The impact of climate risk on the Group's policies, customers, markets and products will be closely linked to the UK Government's policies on the transition to net zero and how other financial institutions embed climate risk in their business models.

Links to key performance metrics

- Loan book
- Customers served
- Cost of risk
- CET1 capital ratio
- Total capital ratio



How this could impact our strategy or business model

- Physical risks could lead to real impacts on the economy through business disruption, asset destruction and migration. This may drive market and credit losses to the Group through lower property and corporate asset values, lower household wealth and lower corporate profits. It may also result in potential for litigation where products do not deliver good outcomes for customers or there is a risk of greenwashing.
- The transition to a lower carbon economy could lead to lower growth and productivity and the potential for operational risks and underwriting losses.
- The transition to a low carbon economy presents an opportunity for the Group and inadequate preparations or delayed actions could impact on the Group's reputation with investors and the market, presenting a strategic risk to the Group through adverse selection.

How we manage this risk

- The Group considers the embedding of climate related matters to be a key initiative and, as such, has appointed the Chief Executive Officer and Chief Risk Officer as the responsible executives to oversee delivery of the Climate Change Plan.
- Climate risk is a principal risk in its own right in the RMF, with a focus on high materiality areas including strategic risk and credit risk, particularly within the Real Estate and Retail Mortgage Brands businesses.
- The Group has developed a proportionate approach to climate change in line with the requirements of SS3/19 and focuses its assessment on term loans in the Commercial and Retail franchises.
- The Group has partnered with leading climate data providers and consultancies to develop its understanding of physical and transition risk and has used this to develop its initial risk appetite statement and measures together with metrics, measures and Companies Act and UK-Climate Financial Disclosures (CFD) climate risk disclosures in the Strategic Report and Climate Report.
- During 2024, the Group continued tracking lending emissions measures within its Real Estate and Retail Mortgage Brands businesses and is progressing an emissions baseline for SME lending for the first time. The Group has also further developed its quantitative scenario analysis for its Commercial and Retail franchises.

Focus areas for 2025

- Extending climate measurement into all lending within scope of the Group's proportionate approach to climate change. Further embed climate risk into its lending policy and strategy.
- Continue to consider the Group's approach to support financing to a low carbon economy and how those plans align to meeting net zero targets.
- Deliver further progress towards our £1.2 billion sustainable finance lending by the end of 2025 target.

Principal risks

Principal risks refer to the key risks the Group is exposed to. Policies and associated standards are maintained to support principal risks and provide guidance on how to achieve strategic objectives whilst managing the risk within defined risk appetite limits.

During the year, the Group conducted a review of its principal risks to ensure they remained appropriate. As part of this review the Group promoted Transformation Risk to a principal risk in its own right to recognise the importance of well executed transformation in support of the way in which customers engage with the Group. As a result, the Group now identifies eleven principal risks. These are summarised in the following table and signposts are provided to indicate where additional information can be found. Oversight of the Group's principal risks is outlined on page 88.

Certain information in the principal risks section is audited. Sections that are specifically marked as *'audited'* are covered by the Independent Auditor's Report starting on page 175. All other sections are unaudited.

Principal risk	Definition	Principal sources of exposure
Credit risk *(Audited)* See pages 104 to 131	The risk that a borrowing client or treasury counterparty fails to repay some, or all, of the capital or interest advanced to them, due to lack of willingness to pay and/or lack of ability to pay. This can include credit risks that materialise during the life of the asset such as refinance risk or elevate due to deteriorating security/collateral value. Credit risk can be further divided into customer credit risk (from core lending activity) and treasury credit risk (from treasury activity). Credit risk also includes credit concentration risk, which is the risk of exposure to particular groups of customers, sectors or geographies that, uncontrolled, may lead to additional losses that the Shareholder or the market may not expect.	The principal source of customer credit risk is the Group's loans and advances to customers. Treasury credit risk exposure is limited to short-term deposits placed with leading UK banks, repo and reverse repo exposures and high-quality liquid assets purchased for inclusion in the Group's liquidity buffer.
Market, liquidity and capital risk *(Partially audited)* See pages 132 to 143	**Market risk:** The risk of financial loss through unhedged or mismatched asset and liability positions that are sensitive to changes in interest rates or currencies.	Exposure to market risk arises from the Group's core activities of offering loans and deposits to customers. All financial assets held by the Group are non-trading.
	Liquidity risk: The risk that the Group is unable to meet its current and future financial obligations as they fall due and maintain stakeholder confidence or is only able to do so at excessive cost. Liquidity risk includes funding risk, which is the risk that the Group is unable to maintain diverse funding sources and manage retail funding risk that can arise from concentrations of higher risk deposits.	The principal source of liquidity risk is the Group's retail and wholesale deposits, as well as affinity partnerships and bilateral/public securitisations.
	Capital risk: The risk that the Group has insufficient quantity and quality of capital to absorb losses over the cycle, cover regulatory requirements and/or to support its own growth plans.	Exposure to capital risk could arise due to a depletion of the Group's capital resources as a result of the crystallisation of any of the risks to which it is exposed or an increase in minimum capital requirements.

Principal risks

Principal risk	Definition	Principal sources of exposure
Operational risk and resilience See page 144	The risk of loss resulting from inadequate or failed internal processes, people, data and management information availability, system failures, or from external events.	The principal sources of operational risk, as per the year-end risk and control self-assessment, are data, information, third-party suppliers and process execution.
Technology and cyber risk See page 145	The risk of loss arising from disruption to a business service or process due to an IT asset or service becoming unavailable or due to malicious activity (including a cyber-attack). The risk to business objectives or future growth trajectory by failing to ensure that system requirements are aligned and fit for purpose.	The principal sources of technology and cyber risk are technology availability and infrastructure risk.
Strategic risk See page 146	The risk that the Group is unable to meet its objectives through the inappropriate selection or implementation of strategic plans. This includes the ability to ensure that the proposition, products and services remain relevant, the embedding of appropriate governance, change prioritisation, management of external partnerships and successful embedding of EDI.	The principal sources of strategic risk are lending growth, governance, management of partnerships and products and propositions.
Transformation risk See page 147	The risk that the Group is unable to effectively deliver or implement business change and fails to appropriately manage change governance, prioritisation or oversight.	The principal sources of transformation risk relate to ineffective governance/ oversight, inadequate scope, lack of appropriate resourcing, increased delivery timelines, reduced quality of delivered products and increased levels of spend.
Conduct risk See page 148	The risk that the Group's behaviour will result in poor customer outcomes through the delivery of the Group's products, propositions and services.	Conduct risk can manifest itself in a variety of ways including misconduct by employees, culture, the provision of products and services that fail to meet customers' needs in a fair manner, and failure to address customer detriment quickly and fairly.
Compliance and regulatory risk See page 149	The risk of regulatory enforcement and sanction, material financial loss, or loss of reputation the Group may suffer as a result of its failure to identify and comply with applicable laws, regulations, codes of conduct and standards of good practice.	The Group conducts its activities in a highly regulated market and the principal sources of exposure are linked to its lending and savings activities, data privacy, legal risk, and regulatory management.
Climate risk See page 150	The risk of financial loss, or loss of reputation, as a result of the Group's failure to successfully embed physical risk, transition risk, litigation risk and relevant industry standards.	The principal sources of exposure relate to financial and operational risks arising from physical risks, and the transition risk to a lower carbon economy within the Group's lending portfolios.
Financial crime risk See page 150	The risk that the Group's processes may be used to commit financial crime.	Financial crime risk arises when the Group's systems and controls are circumvented for the purposes of perpetrating financial crime, including bribery and corruption, money laundering, sanctions, tax evasion, and the financing of terrorist activity.
Model risk See page 151	The risk of financial loss due to the failure to appropriately design, implement, monitor, validate, and use of models for their intended purpose.	The principal sources of exposure to model risk include the implementation of credit strategy in the lending portfolios, the risk of inadequate impairment coverage arising, and reputation risk arising from model design and implementation, model governance, and model usage.

Principal risks: Credit risk

Audited: *the credit risk section (pages 104 to 131) is covered in its entirety by the Independent Auditor's Report.*

This section specifically provides information about:

- Managing credit risk
- Impairment of financial assets
- Exposure to credit risk
- Concentrations of credit risk
- Use of collateral to mitigate credit risk
- Forbearance

Managing credit risk *(audited)*

Key aspects relating to the management of credit risk are the implementation of robust credit risk approval processes and the execution of credit monitoring processes. These are detailed further below.

Credit risk approval processes

To manage credit risk, the Group operates a hierarchy of lending authorities based principally upon the size of the aggregated credit risk exposure to counterparties, group of connected counterparties or, where applicable, a portfolio of lending assets that are subject to a single transaction. In addition to maximum amounts of credit exposure, sole lending mandates may stipulate sub-limits and/or further conditions and criteria.

During the year ended 31 December 2024, the Group implemented a number of new controls to support the management of credit risk. These included the implementation of additional early warning indicators to support the identification of potential problem loans, the implementation of high-risk sector reporting, key portfolio review meetings and the implementation of additional processes to support capacity planning in collections and the non-performing loans team to support the evolving economic environment. The Group also implemented a new portfolio management capability to manage individually significant exposures and implemented a risk distribution capability to support additional lending to existing customers through credit insurance. The Group completed the acquisition of JBR to expand the Group's portfolio into the high-end motor finance market, which is part of the strategy to evolve the risk profile of Consumer Finance within the Retail franchise to include secured assets.

The Group appointed a new Chief Risk Officer for Retail and a new Group Chief Credit Officer in the second line risk function following the planned retirement of the previous role holder.

Lending is advanced subject to the Group lending approval policy and specific credit criteria. When evaluating the credit quality and covenant of the borrower, significant emphasis is placed on the nature of the underlying collateral. This process also includes the review of the Board's appetite for concentration risk.

The Group is a responsible lender and affordability remains a key area of focus for the Group. The Group's approach to affordability is set out in the Group's affordability policy, which is embedded within each of the customer franchise's lending guides and systems. This policy has been updated several times to ensure that it remains appropriate in the current environment and adequately reflects the increase in inflation, interest rate changes and expenditure updates seen during the year. The Group also uses a number of external systems to check affordability and has the ability to refer to Open Banking information, subject to policy and customer consent. Open Banking is mandatory for certain lending within the Consumer Finance business.

Credit monitoring

Approval and ongoing monitoring controls are exercised both within the customer franchises and through oversight by the Group's credit risk function. This applies to both individual transactions, as well as at the portfolio level, by way of monthly credit information reporting, measurement against risk appetite limits and testing through risk monitoring reviews.

The Group's risk function oversees collections and arrears management processes, which are managed internally or by selected third parties.

During the year ended 31 December 2024, the Group made changes to the way in which it manages portfolio risk, with the expansion of its early warning indicators and the use of the Group's proprietary monitoring tool, in support of fortnightly portfolio reviews. The Group has also implemented cloud contact-centre technology that uses AI to increase the Group's data-driven capability to support early identification of potential problem loans and identify vulnerability.

Throughout 2024, the Group continued to invest in its collection's strategies and potential problem loan management teams to ensure that the Group is well positioned for a more challenging environment.

Impairment of financial assets *(audited)*

To reflect the potential losses that the Group might experience due to credit risk, the Group recognises impairment provisions on its financial assets in the financial statements. In accordance with the Group's accounting policy (Note 7 of the Financial Statements), impairments are calculated using a forward-looking ECL model. ECLs are an unbiased probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes.

The Group calculates ECLs and recognises a 'loss allowance' in the statement of financial position for its financial assets measured at amortised cost and at fair value through other comprehensive income (FVOCI) and for its loan commitments. At 31 December 2024, the Group recognised a provision of £0.2 million for lending attached to its lending pipeline where there is a probability of completion.

Principal risks: Credit risk

The following sections provide additional information regarding the measurement and calculation of ECLs, the application of judgemental adjustments to modelled ECLs, analysis of the loss allowance recognised in the statement of financial position and an assessment of the critical accounting judgements and estimates associated with the impairment of financial assets.

Measurement of ECL *(audited)*

Measurement of ECLs depends on the stage the financial asset is allocated to. Stage allocation is based on changes in credit risk when comparing credit risk at initial recognition to credit risk at the reporting date, as follows:

- **Stage 1:** when a financial asset is first recognised it is assigned to Stage 1. If there is no significant increase in credit risk (SICR) from initial recognition the financial asset remains in Stage 1. For financial assets in Stage 1, a 12-month ECL is recognised.
- **Stage 2:** when a financial asset shows a SICR it is moved to Stage 2. A financial asset in Stage 2 can be 'cured' and reclassified back to Stage 1 when there is no longer a SICR and any probation period has been completed. For financial assets in Stage 2, a lifetime ECL is recognised.
- **Stage 3:** when there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is moved to Stage 3. A financial asset in Stage 3 can be 'cured' and reclassified back to Stage 2 when it is no longer in default, or otherwise credit-impaired, and any probation period has been completed. For financial assets in Stage 3, a lifetime ECL is recognised.

For loan commitments, where the loan commitment relates to the undrawn component of a facility, it is assigned to the same stage as the drawn component of the facility.

In relation to the above:

- Lifetime ECL is defined as ECLs that result from all possible default events over the expected behavioural life of a financial instrument.
- 12-month ECL is defined as the portion of lifetime ECL that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

Assessing whether an asset shows a SICR and determining whether an asset is considered to be in default, or otherwise credit impaired, or is considered to be 'cured', are all identified as areas involving critical judgement and are detailed further starting on page 105.

Financial assets may be separately allocated as purchased or originated credit-impaired (POCI). POCI assets are financial assets that are credit-impaired on initial recognition. Once a financial asset is assigned as POCI, it remains in this category until derecognition irrespective of its credit quality. For POCI assets, the ECL is always measured on a lifetime basis. ECLs are only recognised (or released) to the extent the ECL has changed from the amount of credit impairment recognised on initial recognition.

Calculation of ECL *(audited)*

ECLs are the discounted product of the PD, exposure at default (EAD) and LGD. Each of these components are detailed further below.

ECLs are determined by projecting the PD, EAD and LGD for each future month for each exposure. The three components are multiplied together and adjusted to reflect forward-looking information. This calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the current effective interest rate, or the original effective interest rate if appropriate.

Probability of default

PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.

In relation to loans and advances to customers and loan commitments, the PD is based on internal and external individual customer information that is updated for each reporting period. The Group operates both a model-based PD and a slotting approach.

The model-based PD is used for high volume portfolios such as those in Consumer Finance and for mortgages within Real Estate and Retail Mortgage Brands. Statistical modelling techniques are used to determine which borrower and account performance characteristics are predictive of default behaviour based on supportable evidence observed in historical data that is related to the group of accounts to which the model will be applied.

The slotting approach has been developed and implemented for the low volume and high value obligors in SME and large ticket Real Estate loans. Slotting in Real Estate lending applies to facilities over a set threshold. Both processes deliver a point-in-time measure of default.

During 2023, the Group developed a new credit grading model for all owner-occupied mortgages originated through Commercial Real Estate and the Retail Mortgage Brands segment. This means that a coverage ratio method is used only for buy-to-let mortgages originated through TML, certain other acquired mortgages in Real Estate and loans originated in Consumer Finance under the new motor finance platform loan agreement and loans originated through JBR. Credit grading for these segments will be deployed as soon as it is practical to do so.

For the model-based portfolios, the measure of PD is based on information available to the Group from credit reference agencies and includes information from a broad range of financial services firms and internal product performance data and is applied at the borrower level. For the slotted portfolios, the measure of PD relates to attributes relating to financial strength, political and legal environment, asset/transaction characteristics, strength of sponsor and security. The Group is currently updating its slotting models, with new models implemented for Real Estate and SME lending (excluding development finance and speciality finance) with two further models planned for 2025. The Group does not expect this to lead to a material impact in ECL and will take 12 months to cover all loans through the annual review, with any impact considered a 2025 event.

For each asset class, the Group has a proprietary approach to extrapolate its best estimate of the point-in-time PD from 12 months to behavioural maturity to derive the lifetime PD. This uses economic response models that have been developed specifically to forecast the sensitivity of PD to key macroeconomic variables.

Principal risks: Credit risk

Exposure at default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

EAD is designed to address increases in utilisation of committed limits and unpaid interest and fees that the Group would ordinarily expect to observe to the point of default, or through to the point of realisation of the collateral.

The Group determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios.

Loss given default

LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

In relation to loans and advances to customers and loan commitments, the Group segments its lending products into smaller homogeneous portfolios based on the Group's lending segments (SME, Real Estate, Retail Mortgage Brands, and Consumer Finance). In all cases the LGD or its components are tested against recent experience to ensure that they remain current.

- **Real Estate and Retail Mortgage Brands:** the LGD is generally broken down into two parts. These include the Group's estimate of the probability of possession given default, combined with the loss given possession. The Group has continued to focus on the proportion of accounts that have not cured over an emergence period, rather than the proportion of accounts that enter possession in line with market best practice. The loss given possession is based on the Group's estimate of a shortfall, based on the difference between the property value after the impact of a forced sale discount plus a scenario specific market value decline and sale costs, and the loan balance with the addition of unpaid interest and fees and any first charge claims with regards to second charge residential mortgages.
- **SME:** the LGD is based on experience of losses on repossessed assets where the Group has collateral, or management judgement in situations where the Group has minimal experience of actual losses. For cases in Stage 3, the Group uses an individual impairment that considers a weighted average of alternative recovery options.
- **Consumer Finance:** the LGD for unsecured loans uses an estimate of the expected write-off based on an established contractual debt sale agreement supplemented by analysis of recoveries for loans terminated or charged-off and the expected write-off for loans held for deceased and vulnerable customers or customers where there are outstanding complaints. There is no recovery portfolio. For motor finance the LGD reflects the shortfall expected following the recovery of the asset and net of any costs of recovery.

Basis of calculation

A number of complex models are used in the calculation of ECLs, which utilise both the Group's historical data and external data inputs. The Group uses a bespoke calculation engine to estimate ECLs on either a collective or individual basis depending on the nature of the underlying portfolio and financial instruments. The collective assessment groups loans with shared credit risk characteristics through lines of business. The engine captures model outputs from the 12-month PD, Lifetime PD, LGD, EAD, macroeconomic models and staging analysis to calculate an estimate for each account.

Asset classes where the Group calculates ECLs on an individual basis include:

- Stage 3 and POCI assets where individual impairments are reviewed and approved by the customer franchise specific impairment committees and Group Watch and Impairment Committee;
- large and unique slotted Stage 1 and Stage 2 loans in the Commercial franchise; and
- treasury and interbank relationships (such as cash and balances at central banks, loans and advances to banks and investment securities).

Asset classes where the Group calculates ECLs on a collective basis include:

- Stage 1 and Stage 2 loans and certain Stage 3 loans within the Commercial franchise (except as identified above);
- mortgages originated through Retail Mortgage Brands; and
- all loans within Consumer Finance.

For ECLs calculated on a collective basis, exposures are grouped into smaller homogeneous portfolios based on the Group's lending segments and a combination of internal and external characteristics of the loans, as follows:

Real Estate

- Product asset class (owner-occupied second-charge lending, buy-to-let, bridging finance and commercial/semi-commercial investment)
- Time on file
- Exposure value

SME

- Business unit (digital SME, structured lending, ABL and development finance)
- Time on file
- Collateral type

Consumer Finance

- Product type (personal loans and motor finance)
- Time on file

Retail Mortgage Brands

- Product type (buy-to-let and owner-occupied lending)
- Time on file

These impairment judgements are reviewed by the Group Watch and Impairment Committee and Audit Committee.

Principal risks: Credit risk

Using forward-looking information in the calculation of ECLs

ECLs are required to reflect an unbiased probability-weighted range of possible future outcomes. In order to do this, the Group has developed a proprietary approach to assess the impact of the changes in economic scenarios on the obligor level ECL. The Group has mapped each asset class to an external long-run benchmark series that is believed to behave in a similar way to the Group's portfolio over the economic cycle. For some low default portfolios, internal data has been used to support this assessment.

The Group has developed econometric models to establish how much of the historical series can be explained by movements in UK macroeconomic factors. The models deliver an estimate of the impact of a unit increase in default arising from a 1% increase in the underlying macroeconomic factors. The models are developed in line with the Group's Model Risk Governance Framework and are subject to review at least every six months. The models are tested across multiple sets of scenarios to ensure that they work in a range of scenarios, the output of the scenarios is a series of scalars by asset class and a scenario that can be applied to the underlying PDs to deliver a forward-looking ECL.

The Group has developed a proprietary approach to extrapolating its 12-month PDs over the behavioural maturity of the loans that the scalars can be applied to. The nature of the scenarios means that there will be an impact on both the PD and the number of obligors moving from Stage 1 to Stage 2 in line with the SICR criteria.

Judgemental adjustments to modelled ECLs *(audited)*

Limitations in the models used to calculate ECLs may be identified through the ongoing performance monitoring and assessment and validation of the outputs from the models. Consequently, in certain circumstances, the Group makes judgemental adjustments to the modelled output to ensure the overall loss allowance recognised adequately reflects the risk in the portfolio.

Judgemental adjustments take the form of post-model adjustments (PMAs) and overlays:

- **Post model adjustments:** PMAs are calculated at a granular level through data-driven analysis to take into account particular attributes of the portfolio that have not been adequately captured by the models.
- **Overlays:** overlays are adjustments to the modelled outputs that do not meet the definition of a PMA. These include adjustments that are not calculated through modelled or data-driven analysis.

All judgemental adjustments are carefully monitored and are reviewed and approved at least every six months by the Group Watch and Impairment Committee, ExRC, and the Audit Committee, along with other key impairment judgements. Where appropriate, the attributes that drive the judgemental adjustments are incorporated into future model development.

In the current environment, judgemental adjustments have the potential to significantly impact the loss allowance recognised and involve the application of significant management judgement. Judgemental adjustments to modelled ECLs are therefore considered to be an area of critical judgement (see page 117).

During both reported periods in Real Estate and Retail Mortgage Brands, the Group has specifically considered the ongoing impact of the cost of living and elevated interest rates, as the Group's models have not been trained over a comparable period in these areas. To reflect this, a cost of living PMA has been applied in both reported periods.

A new PMA for segment risk has been created in Real Estate, Consumer Finance, and Retail Mortgage Brands where the model is not able to address the customer specific risk

The Group continue to assess there to be higher refinancing risk as many customers have not come to the end of their fixed rate period. The cost of living PMA reflects the refinance risk to a higher interest rate for high-risk loans in the Real Estate and Retail Mortgage Brands segments that are maturing in the following 12-month period for Real Estate and 36-months for Retail Mortgage Brands. The PMA is applied to customers with a similar risk profile.

The cost of living PMA is applied to customers with a similar risk profile as follows:

- **Real Estate:** the cost of living PMA is calculated on a portfolio segment basis and includes customers that are expected to exit their fixed rate agreement by 31 December 2025 and who are at higher refinance risk, demonstrated by lower credit grades and segments with lower debt service cover ratios. As at 31 December 2024, loans with a gross carrying amount of £311 million met these criteria and a PMA of £0.2 million was applied based on a Stage 2 lifetime ECL.
- **SME:** the cost of living PMA considers customers at risk of higher input prices, higher energy costs and supply chain issues that the models have not be trained on. The PMA was removed as at 31 December 2024 as the risk was already considered within the credit grading model.
- **Consumer Finance:** the cost of living PMA was removed following an update to the PD calibration of the portfolio and to reflect the seasoning of the portfolio.
- **Retail Mortgage Brands:** the cost of living PMA is calculated on a portfolio segment basis and includes customers that are expected to exit their fixed rate agreement by 31 December 2027 and who are at higher refinance risk, demonstrated by lower credit grades and segments with lower debt service cover ratios. As at 31 December 2024, loans with a gross carrying amount of £383 million met these criteria and a PMA of £0.9 million was applied based on a Stage 2 ECL.

For 2024 and 2023, the cost of living PMA has been applied to Stage 1 and Stage 2 loans and loan commitments.

Principal risks: Credit risk

The cost of living PMA in both reported periods reflects the refinance risk to a higher interest rate for high-risk loans in Real Estate and Retail Mortgage Brands. Within Real Estate the PMA has reduced from £0.7 million to £0.2 million due to an improvement in the outlook for residential property prices despite an increase in the number of expected fixed rate expiries in 2025. The increase in Retail Mortgage Brands PMA reflects an updated approach that considers fixed rate expiries over a 36-month period in line with best practice. The removal of the SME cost of living PMA reflects the embedding of the risk in the life management process so the PMA is no longer required.

A new PMA for segment risk has been created in Real Estate, SME, Consumer Finance, and Retail Mortgage Brands where the models are not able to address the customer specific risk. The SME PMA reflects concern that recent LGD experience on certain SME loans may be impacted by short-term economic impacts that are not picked up by the model. The Consumer Finance PMA reflects an increase in PD emergence on certain loans beyond what was predicted by the model.

	As at 31 December 2024					As at 31 December 2023				
	Commercial			Retail		Commercial			Retail	
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Cost of living PMA	0.2	–	–	0.9	1.1	0.7	1.6	–	0.5	2.8
Segment risk	0.4	1.4	0.8	0.1	2.7	–	–	–	–	–
Total judgemental adjustments to modelled ECLs	0.6	1.4	0.8	1.0	3.8	0.7	1.6	–	0.5	2.8

Analysis of the loss allowance recognised *(audited)*

A summary of the loss allowance recognised in the statement of financial position in relation to each financial asset class is provided in the following tables. Except where noted, the loss allowance is recognised as a deduction from the gross carrying amount of the asset.

As at 31 December 2024	Modelled ECL £m	Judgemental adjustments (See page 107) £m	Total £m	Of which: Stage 1 £m	Stage 2 £m	Stage 3[1] £m
Cash and balances at central banks	<0.1	–	<0.1	<0.1	–	–
Loans and advances to banks	<0.1	–	<0.1	<0.1	–	–
Loans and advances to customers at amortised cost	156.6	2.8	159.4	48.0	33.4	78.0
Loans and advances to customers at FVOCI (recognised in FVOCI reserve)	11.0	1.0	12.0	6.6	2.5	2.9
Investment securities	<0.1	–	<0.1	<0.1	–	–
Loan commitments (recognised as a provision)	0.6	–	0.6	0.5	0.1	–
Total loss allowance recognised	168.2	3.8	172.0	55.1	36.0	80.9

As at 31 December 2023	Modelled ECL £m	Judgemental adjustments (See page 107) £m	Total £m	Of which: Stage 1 £m	Stage 2 £m	Stage 3[1] £m
Cash and balances at central banks	<0.1	–	<0.1	<0.1	–	–
Loans and advances to banks	<0.1	–	<0.1	<0.1	–	–
Loans and advances to customers at amortised cost	127.9	2.3	130.2	47.3	29.0	53.9
Loans and advances to customers at FVOCI (recognised in FVOCI reserve)	6.2	0.5	6.7	3.4	2.2	1.1
Investment securities	<0.1	–	<0.1	<0.1	–	–
Loan commitments (recognised as a provision)	3.8	–	3.8	2.3	0.5	1.0
Total loss allowance recognised	137.9	2.8	140.7	53.0	31.7	56.0

For loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (FVOCI) and loan commitments, additional analysis of the loss allowance recognised is provided starting on pages 110, 114 and 116.

For cash and balances at central banks, loans and advances to banks and investment securities, the loss allowance is immaterial, totalling less than £0.1 million in both reported years. Accordingly, no additional analysis is provided.

1 Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a loss allowance of £4.8 million (2023: £4.8 million).

Principal risks: Credit risk

The following tables provide a summary of the loss allowance recognised in the statement of financial position in relation to loans and advances to customers and loan commitments. The increase in ECL is due to loan growth in all franchises and includes the acquisition of JBR in Consumer Finance. The overall ECL coverage increased due to a number of loans that migrated to Stage 3 during the period in SME and the seasoning of the mortgages originated through Retail Mortgage Brands.

Total loans and advances to customers[1]

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
Stage 1	6,271.9	2,604.3	826.4	3,882.8	13,585.4
Stage 2	405.9	362.5	70.4	414.7	1,253.5
Stage 3	198.5	192.3	18.8	159.6	569.2
Gross carrying amount	6,876.3	3,159.1	915.6	4,457.1	15,408.1
Stage 1	(10.1)	(21.3)	(16.4)	(7.3)	(55.1)
Stage 2	(6.2)	(15.3)	(11.0)	(3.5)	(36.0)
Stage 3	(28.0)	(40.2)	(6.5)	(6.2)	(80.9)
Loss allowance[2]	(44.3)	(76.8)	(33.9)	(17.0)	(172.0)
Loss allowance coverage					
Stage 1	0.2%	0.8%	2.0%	0.2%	0.4%
Stage 2	1.5%	4.2%	15.6%	0.8%	2.9%
Stage 3	14.1%	20.9%	34.6%	3.9%	14.2%
Total loss allowance coverage	0.6%	2.4%	3.7%	0.4%	1.1%

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Stage 1	5,577.6	2,329.7	590.0	3,330.1	11,827.4
Stage 2	452.2	343.1	40.1	401.4	1,236.8
Stage 3	173.2	82.6	6.9	115.7	378.4
Gross carrying amount	6,203.0	2,755.4	637.0	3,847.2	13,442.6
Stage 1	(8.7)	(23.2)	(16.4)	(4.7)	(53.0)
Stage 2	(4.1)	(16.6)	(8.1)	(2.9)	(31.7)
Stage 3	(24.3)	(21.3)	(5.6)	(4.8)	(56.0)
Loss allowance[2]	(37.1)	(61.1)	(30.1)	(12.4)	(140.7)
Loss allowance coverage					
Stage 1	0.2%	1.0%	2.8%	0.1%	0.4%
Stage 2	0.9%	4.8%	20.2%	0.7%	2.6%
Stage 3	14.0%	25.8%	81.2%	4.1%	14.8%
Total loss allowance coverage	0.6%	2.2%	4.7%	0.3%	1.0%

1 Information is based on the revised naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Loss allowance includes loss allowance on loan commitments in amount of £0.6 million, of which £0.5 million relates to Stage 1, £0.1 million to Stage 2 and £nil million to Stage 3 loans (31 December 2023: £3.8 million loss allowance, of which £2.3 million in Stage 1, £0.5 million in Stage 2 and £1.0 million in Stage 3).

Principal risks: Credit risk

Additional analysis of loans and advances to customers at amortised cost

For loans and advances to customers at amortised cost, the loss allowance is £159.4 million (31 December 2023: £130.2 million).
The loss allowance is recognised as a deduction from the gross carrying amount of the asset (see Note 23 of the Financial Statements).

The following tables provide an analysis of loans and advances to customers at amortised cost by lending segment[1] and the year-end stage classification:

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
Stage 1	6,271.9	2,604.3	826.4	574.3	10,276.9
Stage 2	405.9	362.5	70.4	184.5	1,023.3
Stage 3[2]	198.5	192.3	18.8	97.2	506.8
Gross carrying amount	6,876.3	3,159.1	915.6	856.0	11,807.0
Stage 1	(10.1)	(20.8)	(16.4)	(0.7)	(48.0)
Stage 2	(6.2)	(15.2)	(11.0)	(1.0)	(33.4)
Stage 3[2]	(28.0)	(40.2)	(6.5)	(3.3)	(78.0)
Loss allowance	(44.3)	(76.2)	(33.9)	(5.0)	(159.4)
Carrying amount[3]	6,832.0	3,082.9	881.7	851.0	11,647.6
Loss allowance coverage					
Stage 1	0.2%	0.8%	2.0%	0.1%	0.5%
Stage 2	1.5%	4.2%	15.6%	0.5%	3.3%
Stage 3	14.1%	20.9%	34.6%	3.4%	15.4%
Total loss allowance coverage	0.6%	2.4%	3.7%	0.6%	1.4%

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Stage 1	5,577.6	2,329.7	590.0	783.7	9,281.0
Stage 2	452.2	343.1	40.1	162.1	997.5
Stage 3[2]	173.2	82.6	6.9	89.4	352.1
Gross carrying amount	6,203.0	2,755.4	637.0	1,035.2	10,630.6
Stage 1	(8.7)	(20.9)	(16.4)	(1.3)	(47.3)
Stage 2	(4.1)	(16.1)	(8.1)	(0.7)	(29.0)
Stage 3[2]	(24.3)	(20.3)	(5.6)	(3.7)	(53.9)
Loss allowance	(37.1)	(57.3)	(30.1)	(5.7)	(130.2)
Carrying amount[3]	6,165.9	2,698.1	606.9	1,029.5	10,500.4
Loss allowance coverage					
Stage 1	0.2%	0.9%	2.8%	0.2%	0.5%
Stage 2	0.9%	4.7%	20.2%	0.4%	2.9%
Stage 3	14.0%	24.6%	81.2%	4.1%	15.3%
Total loss allowance coverage	0.6%	2.1%	4.7%	0.6%	1.2%

1 Information is based on the revised naming of lending segments as detailed on page 85.
Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.0 million, of which £14.2 million relates to Real Estate, £5.1 million to SME, £4.0 million to Consumer Finance and £5.7 million to Retail Mortgage Brands (2023: £22.3 million; £14.9 million Real Estate, £0.5 million SME, £nil million Consumer Finance and £6.9 million Retail Mortgage Brands). The associated loss allowance is £4.8 million, of which £4.6 million relates to Real Estate, £nil million to SME, £0.2 million to Consumer Finance and £nil million to Retail Mortgage Brands (2023: £4.8 million; £4.6 million Real Estate, £ nil million SME, £nil million Consumer Finance and £0.2 million Retail Mortgage Brands). If POCI loans are excluded from the Stage 3 bucket, the Stage loss allowance coverage would be 12.7% for Real Estate, 21.5% for SME, 42.6% for Consumer Finance, 3.6% for Retail Mortgage Brands and 15.3% total Stage 3 loss allowance coverage (2023: 12.4% Real Estate, 24.7% SME, 81.2% Consumer Finance, 4.2% Retail Mortgage Brands, 14.9% total Stage 3 loss allowance coverage).

3 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

The following tables provide an analysis of loans and advances to customers at amortised cost by agreement type and the year-end stage classification:

As at 31 December 2024	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
Stage 1	9,544.4	21.3	711.2	10,276.9
Stage 2	1,006.8	0.8	15.7	1,023.3
Stage 3[1]	480.7	0.5	25.6	506.8
Gross carrying amount	11,031.9	22.6	752.5	11,807.0
Stage 1	(45.3)	(0.3)	(2.4)	(48.0)
Stage 2	(32.9)	–	(0.5)	(33.4)
Stage 3[1]	(71.2)	(0.4)	(6.4)	(78.0)
Loss allowance	(149.4)	(0.7)	(9.3)	(159.4)
Carrying amount[2]	10,882.5	21.9	743.2	11,647.6
Loss allowance coverage				
Stage 1	0.5%	1.4%	0.3%	0.5%
Stage 2	3.3%	0.0%	3.2%	3.3%
Stage 3	14.8%	80.0%	25.0%	15.4%
Total loss allowance coverage	1.4%	3.1%	1.2%	1.4%

As at 31 December 2023	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
Stage 1	8,863.1	25.4	392.5	9,281.0
Stage 2	967.7	0.4	29.4	997.5
Stage 3[1]	342.5	1.2	8.4	352.1
Gross carrying amount	10,173.3	27.0	430.3	10,630.6
Stage 1	(45.5)	(0.2)	(1.6)	(47.3)
Stage 2	(27.1)	–	(1.9)	(29.0)
Stage 3[1]	(47.5)	(0.8)	(5.6)	(53.9)
Loss allowance	(120.1)	(1.0)	(9.1)	(130.2)
Carrying amount[2]	10,053.2	26.0	421.2	10,500.4
Loss allowance coverage				
Stage 1	0.5%	0.8%	0.4%	0.5%
Stage 2	2.8%	0.0%	6.5%	2.9%
Stage 3	13.9%	66.7%	66.7%	15.3%
Total loss allowance coverage	1.2%	3.7%	2.1%	1.2%

1 Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.0 million of which £29.0 million relates to loan receivables, £nil million to finance lease receivables, £nil million to instalment credit receivables (2023: £22.3 million, £22.3 million loan receivables, £nil million finance lease receivables, £nil million instalment credit receivables). The associated loss allowance is £4.8 million, of which £4.8 million relates to loan receivables, £nil million to finance lease receivables and £nil million to instalment credit receivables (2023: £4.8 million, £4.8 million loan receivables, £nil million finance lease receivables and £nil million instalment credit receivables). If POCI loans are excluded from the Stage 3 bucket, the Stage 3 loss allowance coverage would be 14.7% for loan receivables, 80.0% for finance lease receivables, 25.0% for instalment credit receivables and 15.3% total Stage 3 loss allowance coverage (2023: 13.3% loan receivables, 66.7% finance lease receivables, 66.7% instalment credit receivables and 14.9% total Stage 3 loss allowance coverage).

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

The following table provides an analysis of movements during the year in the loss allowance associated with loans and advances to customers at amortised cost.[1]

In 2024, the Group revised its methodology for calculating the movements in the loss allowance and the carrying value of loans.

The table for the year ended 31 December 2024 is compiled by aggregating the twelve individual monthly movement tables for the loss allowance and carrying value of the loans. Transfers between stages are deemed to have taken place where the loan is open at the start of the month and remains open at the end of the month with the transition based on the opening loss allowance or carrying amount, with all other movements shown in the stage in which the asset is held at the end of the month. Where loans have been added (including originations, purchases and acquisitions through business combinations) or removed (including derecognitions and disposals) during the year, the full year movement is reflected on the relevant addition/disposal row.

The table for the year ended 31 December 2023 is compiled by comparing the position at the end of the year to that at the beginning of the year. Transfers between stages are based on loans that are open at the start of the period and remain open at the end of the period with the transition based on the opening loss allowance or carrying amount. All other movements are shown in the stage in which the asset is held at the end of the year. Where loans have been added (including originations, purchases and acquisitions through business combinations) or removed (including derecognitions and disposals) during the year, the full year movement is reflected on the relevant addition/disposal row.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	**47.3**	**29.0**	**53.9**	**130.2**	43.2	22.6	46.0	111.8
ECL charge/(credit) for the year								
Transfer from Stage 1	**(13.2)**	**12.9**	**0.3**	**–**	(3.1)	2.6	0.5	–
Transfer from Stage 2	**12.4**	**(35.5)**	**23.1**	**–**	3.7	(8.0)	4.3	–
Transfer from Stage 3	**8.0**	**7.3**	**(15.3)**	**–**	0.4	2.0	(2.4)	–
New financial assets originated or purchased	**20.6**	**0.1**	**–**	**20.7**	19.7	7.7	2.6	30.0
Financial assets derecognised (excluding disposals)	**(19.3)**	**(7.9)**	**(25.8)**	**(53.0)**	(14.9)	(5.6)	(20.0)	(40.5)
Financial assets derecognised on disposal	**–**	**–**	**–**	**–**	–	–	–	–
Changes in credit risk[2]	**(7.8)**	**27.5**	**41.8**	**61.5**	(1.7)	7.7	24.3	30.3
Net ECL charge for the year	**0.7**	**4.4**	**24.1**	**29.2**	4.1	6.4	9.3	19.8
Other movements								
Other adjustments	**–**	**–**	**–**	**–**	–	–	(1.4)	(1.4)
Total other movements	**–**	**–**	**–**	**–**	–	–	(1.4)	(1.4)
Total movement in loss allowance	**0.7**	**4.4**	**24.1**	**29.2**	4.1	6.4	7.9	18.4
As at 31 December	**48.0**	**33.4**	**78.0**	**159.4**	47.3	29.0	53.9	130.2

1 In 2024, the Group revised its methodology for calculating the movements in the loss allowance and the carrying value of loans. The analysis of stage transfers was changed from an annual to a monthly basis.

2 Changes in credit risk includes changes resulting from net changes in lending, including repayments, additional drawdowns and accrued interest, and changes resulting from adjustments to the models used in the calculation of ECLs, including model inputs and underlying assumptions.

Principal risks: Credit risk

Movements in the gross carrying amount of loans and advances to customers at amortised cost during the year that contributed to the changes in the associated loss allowance during the year are shown in the following table.[1] The table is compiled using the same methodology as described for the loss allowance movement table on the previous page.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	9,281.0	997.5	352.1	10,630.6	8,279.5	897.3	287.9	9,464.7
Movements in gross carrying amount								
Transfer from Stage 1	(1,128.5)	1,074.3	54.2	–	(569.2)	465.8	103.4	–
Transfer from Stage 2	538.1	(887.5)	349.4	–	279.6	(338.6)	59.0	–
Transfer from Stage 3	27.2	97.2	(124.4)	–	7.0	21.5	(28.5)	–
New financial assets originated or purchased	3,865.5	7.0	8.8	3,881.3	3,296.7	146.5	22.2	3,465.4
Financial assets derecognised (excluding disposals)	(1,770.9)	(217.8)	(80.3)	(2,069.0)	(1,878.0)	(187.8)	(85.9)	(2,151.7)
Financial assets derecognised on disposal	(19.1)	(4.2)	(1.2)	(24.5)	–	–	–	–
Net changes in lending[2]	(516.4)	(43.2)	(51.8)	(611.4)	(134.6)	(7.2)	(6.0)	(147.8)
Total movement in gross carrying amount	995.9	25.8	154.7	1,176.4	1,001.5	100.2	64.2	1,165.9
As at 31 December	10,276.9	1,023.3	506.8	11,807.0	9,281.0	997.5	352.1	10,630.6

The net ECL charge for the year represents the amount recognised in the statement of profit and loss within impairment losses on financial assets at amortised cost (see Note 20 of the Financial Statements). An analysis of this charge by lending segment is provided in the following table.

	2024 £m	2023 £m
Real Estate	7.2	10.2
SME	18.9	3.9
Consumer Finance	3.8	5.8
Retail Mortgage Brands	(0.7)	(0.1)
Net ECL charge for the year	29.2	19.8

The higher net ECL charge in the current year reflects an increase in the loan book and changes in credit risk from an increase in watch list in SME. The reduction in Real Estate reflects the impact of a more favourable outlook for residential and commercial property prices. The net charge in Consumer Finance is due to a decrease in unsecured personal loan balances as the portfolio pivots towards secured lending following the acquisition of JBR in September 2024.

1 In 2024, the Group revised its methodology for calculating the movements in the loss allowance and the carrying value of loans. The analysis of stage transfers was changed from an annual to a monthly basis.

2 Net changes in lending includes repayments, additional drawdowns and accrued interest.

Principal risks: Credit risk

Additional analysis of loans and advances to customers at FVOCI

For loans and advances to customers at FVOCI, the loss allowance is £12.0 million (2023: £6.7 million). The loss allowance does not reduce the carrying amount of these assets, which remain at fair value. Instead, the loss allowance is recognised in the FVOCI reserve.

The following table provides an analysis of loans and advances to customers at FVOCI by year-end stage classification. All FVOCI loans are attributable to the Retail Mortgage Brands[1] lending segment and all represent mortgage loan receivables.

	2024 £m	2023 £m
Stage 1	3,308.5	2,546.4
Stage 2	230.2	239.3
Stage 3	62.4	26.3
Carrying amount[2]	3,601.1	2,812.0
Stage 1	(6.6)	(3.4)
Stage 2	(2.5)	(2.2)
Stage 3	(2.9)	(1.1)
Loss allowance	(12.0)	(6.7)
Loss allowance coverage		
Stage 1	0.2%	0.1%
Stage 2	1.1%	0.9%
Stage 3	4.6%	4.2%
Total loss allowance coverage	0.3%	0.2%

Loans originated from 1 January 2022 within Retail Mortgage Brands are considered under the Group's originate to distribute strategy. The following table provides an analysis of movements during the year in the loss allowance associated with loans and advances to customers at FVOCI[3]. The table is compiled in the same way as the amortised cost table and reflects the same change in methodology for the current year.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	3.4	2.2	1.1	6.7	1.9	0.3	0.2	2.4
ECL charge/(credit) for the year								
Transfer from Stage 1	(0.6)	0.5	0.1	–	(0.1)	0.1	–	–
Transfer from Stage 2	2.2	(4.0)	1.8	–	–	(0.1)	0.1	–
Transfer from Stage 3	1.0	1.5	(2.5)	–	–	–	–	–
New financial assets originated or purchased	7.9	–	–	7.9	1.6	0.8	0.2	2.6
Financial assets derecognised (excluding disposals)	(0.9)	–	–	(0.9)	–	(0.1)	(0.2)	(0.3)
Changes in credit risk[4]	(6.0)	2.5	2.8	(0.7)	–	1.2	0.8	2.0
Net ECL charge for the year	3.6	0.5	2.2	6.3	1.5	1.9	0.9	4.3
Other movements								
Financial assets derecognised on disposal	(0.4)	(0.2)	(0.4)	(1.0)	–	–	–	–
Total other movements	(0.4)	(0.2)	(0.4)	(1.0)	–	–	–	–
Total movement in loss allowance	3.2	0.3	1.8	5.3	1.5	1.9	0.9	4.3
As at 31 December	6.6	2.5	2.9	12.0	3.4	2.2	1.1	6.7

1 Information is based on the revised naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

3 In 2024, the Group revised its methodology for calculating the movements in the loss allowance and the carrying value of loans. The analysis of stage transfers was changed from an annual to a monthly basis.

4 Changes in credit risk includes changes resulting from net changes in lending, including repayments, additional drawdowns and accrued interest, and changes resulting from adjustments to the models used in the calculation of ECLs, including model inputs and underlying assumptions.

Principal risks: Credit risk

The net ECL charge for the year represents the amount recognised in the statement of profit and loss in the 'impairment losses on financial assets' line (see Note 20 of the Financial Statements) and in the statement of comprehensive income in the 'change in loss allowance' line.

The higher net ECL charge in the current period is predominantly attributable to growth in the loan book due to originations and portfolio seasoning which is reflected in an increase in arrears particularly in loans originated through BML. Changes in the economic outlook included within the calculation of ECLs is another contributory factor. The other movements reflect the loans derecognised as part of a securitisation which were reclassified as part of the overall recognition of a gain on sale in the income statement.

Movements in the carrying amount of loans and advances to customers at FVOCI during the year (excluding fair value adjustments for hedged risk) are shown in the following table[1]. The table is compiled using the same methodology as described for the loss allowance movement table on the previous page.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	2,546.4	239.3	26.3	2,812.0	1,285.4	28.8	2.2	1,316.4
Movements in carrying amount								
Transfer from Stage 1	(294.1)	268.2	25.9	–	(98.4)	86.0	12.4	–
Transfer from Stage 2	276.0	(341.7)	65.7	–	1.9	(5.1)	3.2	–
Transfer from Stage 3	21.8	30.4	(52.2)	–	0.4	0.4	(0.8)	–
New financial assets originated or purchased	1,388.8	–	–	1,388.8	1,242.9	143.0	4.4	1,390.3
Financial assets derecognised (excluding disposals)	(245.2)	(4.7)	(3.6)	(253.5)	(24.4)	(0.4)	(0.7)	(25.5)
Financial assets derecognised on disposal	(350.6)	(9.8)	(8.7)	(369.1)				
Net changes in lending[2]	(69.5)	48.0	8.8	(12.7)	128.6	(13.4)	5.7	120.9
Change in fair value	34.9	0.5	0.2	35.6	10.0	–	(0.1)	9.9
Total movement in carrying amount	762.1	(9.1)	36.1	789.1	1,261.0	210.5	24.1	1,495.6
As at 31 December	3,308.5	230.2	62.4	3,601.1	2,546.4	239.3	26.3	2,812.0

1 In 2024, the Group revised its methodology for calculating the movements in the loss allowance and the carrying value of loans. The analysis of stage transfers was changed from an annual to a monthly basis.

2 Net changes in lending includes repayments, additional drawdowns and accrued interest.

Principal risks: Credit risk

Additional analysis of loan commitments

The loss allowance for loan commitments is £0.6 million (2023: £3.8 million).
The loss allowance is recognised as a provision (see Note 34 of the Financial Statements).

The following table provides an analysis of movements during the year in the loss allowance associated with loan commitments. The table is compiled by comparing the position at the end of the year to that at the beginning of the year. Transfers between stages are deemed to have taken place at the start of the year, with all other movements shown in the stage in which the asset is held at the end of the year.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	2.3	0.5	1.0	3.8	0.3	–	0.2	0.5
ECL charge/(credit) for the year								
Transfer from Stage 1	(0.4)	0.4	–	–	–	–	–	–
Transfer from Stage 2	–	(0.2)	0.2	–	–	–	–	–
Transfer from Stage 3	–	–	–	–	–	–	–	–
New loan commitments	–	–	–	–	1.2	–	–	1.2
Loan commitments derecognised	(0.3)	(0.2)	–	(0.5)	–	–	(0.2)	(0.2)
Changes in credit risk	(1.1)	(0.4)	(1.2)	(2.7)	0.8	0.5	1.0	2.3
Net ECL credit for the year	(1.8)	(0.4)	(1.0)	(3.2)	2.0	0.5	0.8	3.3
As at 31 December	0.5	0.1	–	0.6	2.3	0.5	1.0	3.8

The net ECL credit for the year represents the amount recognised in the statement of profit and loss within impairment losses on financial assets (see Note 20 of the Financial Statements).

Movements in the gross loan commitment during the year that contributed to the changes in the associated loss allowance during the year are shown in the following table. The table is compiled using the same methodology as described for the loss allowance movement table above.

	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January	1,208.1	57.1	15.6	1,280.8	1,570.0	57.0	1.7	1,628.7
Movements in gross loan commitments								
Transfer from Stage 1	(46.7)	43.2	3.5	–	(24.9)	20.8	4.1	–
Transfer from Stage 2	0.7	(4.3)	3.6	–	–	(12.0)	12.0	–
Transfer from Stage 3	–	–	–	–	–	–	–	–
New loan commitments	498.2	2.3	–	500.5	361.5	4.9	0.1	366.5
Loan commitments derecognised	(339.4)	(29.5)	(3.3)	(372.2)	(247.7)	(19.0)	(0.6)	(267.3)
Net changes in commitments	22.8	(14.6)	(2.9)	5.3	(450.8)	5.4	(1.7)	(447.1)
Total movement in gross loan commitments	135.6	(2.9)	0.9	133.6	(361.9)	0.1	13.9	(347.9)
As at 31 December	1,343.7	54.2	16.5	1,414.4	1,208.1	57.1	15.6	1,280.8

Principal risks: Credit risk

Critical judgements relating to the impairment of financial assets *(audited)*

The measurement of ECLs requires the Group to make a number of judgements. The judgements that are considered to have the most significant effect on the amounts in the financial statements are:

- assessing whether there has been a SICR (resulting in the financial asset being transferred to Stage 2);
- determining whether a financial asset is in default or is credit-impaired (resulting in the financial asset being transferred to Stage 3); and
- determining whether a financial asset is 'cured' (and is therefore reclassified back to a lower stage).

These judgements have an impact upon the stage the financial asset is allocated to and therefore whether a 12-month or lifetime ECL is recognised. Additional details regarding each of these significant judgement areas are provided in the following sections.

The impairment of cash and balances at central banks, loans and advances to banks and investment securities is immaterial. As such, the area where these judgements have the most significant effect specifically relates to the impairment of loans and advances to customers.

A further area of judgement that is considered to have a significant effect on amounts in the financial statements is the application of judgemental adjustments to modelled ECLs. Judgemental adjustments are applied to the modelled ECL amount when the Group judges that the modelled ECL does not adequately reflect the expected risk in the portfolio, or where there is a risk that the model cannot be expected to pick up based on previous experience. Details of judgemental adjustments to the modelled ECL are provided on page 107.

The Group reviews and updates these key judgements bi-annually, in advance of the Interim Financial Report and the Annual Report and Accounts. All key judgements are reviewed and recommended to the Audit Committee for approval prior to implementation.

Assessing whether there has been a significant increase in credit risk

If a financial asset shows a SICR, it is transferred to Stage 2 and the ECL recognised changes from a 12-month ECL to a lifetime ECL. The assessment of whether there has been a SICR requires a high level of judgement as detailed below. The assessment of whether there has been a SICR also incorporates forward-looking information (see page 107).

For the purposes of the SICR assessment, the Group applies a series of quantitative, qualitative and backstop criteria:

- **Quantitative criteria:** this considers the increase in an account's remaining lifetime PD at the reporting date compared to the expected residual lifetime PD when the account was originated. The Group segments its credit portfolios into PD bands and has determined a relevant threshold for each PD band, where a movement in excess of threshold is considered to be significant. These thresholds have been determined separately for each portfolio based on historical evidence of delinquency.
- **Qualitative criteria:** this includes the observation of specific events such as short-term forbearance, payment cancellation, historical arrears or extension to customer terms (see following table for further details).
- **Backstop criteria:** IFRS 9 includes a rebuttable presumption that 30 days past due is an indicator of a SICR. The Group considers this to be an appropriate backstop measure and does not rebut this presumption.

As a general indicator, there is deemed to be a SICR if the following criteria are identified based on the Group's quantitative modelling:

Real Estate: residential and commercial investment mortgages	
• If external mortgage payments are in arrears from the credit reference agencies. The external arrears information is statistically a lead indicator of financial difficulties and potential arrears on the loan book; • if the loan account is forborne; • if the loan enters on to amber watchlist; • for short-term loans with a modelled PD: if the PD > 0.38% and the absolute movement in remaining lifetime PD is more than 1.5 times the estimate at origination;	• for term loans with a modelled PD since origination: if the PD > 0.38% and the absolute movement in remaining lifetime PD is more than two times the estimate at origination; or • for all portfolios originated as slotted, or that have ever been slotted during its life: if the PD > 0.38% and the absolute movement in remaining lifetime PD is more than three times the estimate at origination.
Real Estate: residential owner-occupied mortgages	
• All exposures are graded under the modelled approach. If the modelled PD > 1.76% and the absolute movement in remaining lifetime PD is more than five times the estimate at origination; • if the customer has ever been six or more payments in arrears on any fixed term account at the credit reference agency;	• if the customer has missed a mortgage payment in the last six months at the credit reference agency; • if the customer has missed 2 or more mortgage payments; or • if the loan account is forborne.
SME	
• For accounts within the digital SME portfolio: if the absolute movement in the remaining lifetime PD is more than two times the estimate at origination;	• if the customer has missed 2 or more mortgage payments; • if the loan account is forborne; or • if the loan enters on to amber watchlist.
Consumer Finance (excluding motor finance)	
• Partner Finance: if the PD > 0.38% and the absolute movement in remaining lifetime PD is more than two times the estimate at origination; • personal loans: if the PD > 0.38% and the absolute movement in remaining lifetime PD is more than two times the estimate at origination;	• if there are county court judgements registered at the credit reference agencies of > £150 in the last 12-months or > £1,000 in last three years; • if the customer has missed 2 or more mortgage payments; or • if the loan account is forborne.
Retail Mortgage Brands	
• All exposures are graded under the modelled approach. • If the modelled Bluestone PD > 0.76% and the absolute movement in remaining lifetime PD is more than five times the estimate at origination;	• If the modelled TML PD > 1.03% and the absolute movement in remaining lifetime PD is more than five times the estimate at origination; • if the customer has missed 2 or more mortgage payments; or • if the loan account is forborne.

Principal risks: Credit risk

Stage 2 criteria are designed to be effective indicators of a significant deterioration in credit risk. As part of the bi-annual review of key impairment judgements, the Group undertakes detailed analysis to confirm that the Stage 2 criteria remain effective. This includes (but is not limited to):

- **Criteria effectiveness:** this includes the emergence to default for each Stage 2 criterion when compared to Stage 1, Stage 2 outflow as a percentage of Stage 2, percentage of new defaults that were in Stage 2 in the months prior to default, time in Stage 2 prior to default and percentage of the book in Stage 2 that are not progressing to default or curing.
- **Stage 2 stability:** this includes stability of inflows and outflows from Stage 2 and 3.
- **Portfolio analysis:** this includes the percentage of the portfolio that is in Stage 2 and not defaulted, the percentage of the Stage 2 transfer driven by Stage 2 criterion other than the backstops and back-testing of the defaulted accounts.

For low credit risk exposures, the Group is permitted to assume, without further analysis, that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The Group has opted not to apply this low credit risk exemption.

Determining whether a financial asset is in default or is credit-impaired

When there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is transferred to Stage 3. The Group's definition of default is fully aligned with the definition of credit impaired.

The Group applies a series of quantitative and qualitative criteria to determine if an account meets the definition of default. These criteria include:

- when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- when the borrower is more than 90 days past due on any credit obligation to the Group; and
- when a credit obligation to the Group has gone past maturity or there is doubt that the exit strategy for the obligation is likely.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances.

Determining whether a financial asset is cured

The Group considers a financial asset to be 'cured', and therefore reclassifies back to a lower stage, when the assessed criteria that caused movement into the higher stage are no longer present.

The following curing rules are applied by the Group:

- For Stage 3 loans with forbearance arrangements in place: the loan must first successfully complete its 12-month curing period to be transferred to Stage 2. Following this, the loan must successfully complete a 24-month forbearance probation period before the forbearance classification can be discontinued and it can be returned to Stage 1.
- For Stage 3 loans that have cured without forbearance: the loan must complete a 12-month probation in Stage 2 prior to returning to Stage 1.
- For loans in Stage 2 as a result of arrears: the arrears must be cured for a period of 180 days prior to returning to Stage 1.
- For loans in Stage 2 as a result of an increase in PD: a probation period of 90 days must be completed prior to returning to Stage 1.
- For Stage 2 loans with forbearance measures in place: the loan must complete a 24-month forbearance probation period before the forbearance classification can be discontinued and it can be returned to Stage 1.
- For loan products such as revolving credit facilities: the loan must be in 'amber watchlist' (monitoring) for 180-days prior to returning to Stage 1 and, if it has forbearance measures in place, it must complete a 24-month forbearance probation period, throughout which it must remain in 'amber watchlist', before the forbearance classification can be discontinued and it can be returned to Stage 1.

The following table provides a breakdown of loans and advances to customers (including both loans measured at amortised cost and those measured at FVOCI) in Stage 2 and 3 to show the proportion that are in a cure period:

	Stage 2		**Stage 3**	
As at 31 December 2024	**Gross carrying amount £m**	**Loss allowance £m**	**Gross carrying amount £m**	**Loss allowance £m**
Not in cure period	**954.2**	**(39.6)**	**496.9**	**(80.2)**
In cure period	**133.9**	**(1.8)**	**35.8**	**(4.4)**
Total	**1,088.1**	**(41.4)**	**532.7**	**(84.6)**

	Stage 2		Stage 3	
As at 31 December 2023	Gross carrying amount £m	Loss allowance £m	Gross carrying amount £m	Loss allowance £m
Not in cure period	1,000.2	(31.9)	355.8	(61.9)
In cure period	140.3	(1.8)	31.0	(5.4)
Total	1,140.5	(33.7)	386.8	(67.3)

Principal risks: Credit risk

Critical accounting estimates relating to the impairment of financial assets *(audited)*

The calculation of ECLs requires the Group to make a number of assumptions and estimates. The accuracy of the ECL calculation would be impacted by movements in the forward-looking economic scenarios used, or the probability weightings applied to these scenarios and by unanticipated changes to model assumptions that differ from actual outcomes.

The key assumptions and estimates that, depending on a range of factors, could result in a material adjustment in the next financial year relate to the use of forward-looking information in the calculation of ECLs and the inputs and assumptions used in the ECL models. Additional information about both of these areas is set out below.

The impairment of cash and balances at central banks, loans and advances to banks, investment securities, assets held for sale and loan commitments is immaterial. As such, the area where the assumptions and estimates set out below could have the most significant impact specifically relates to the impairment of loans and advances to customers.

Forward-looking information

The Group incorporates forward-looking information into the calculation of ECLs and the assessment of whether there has been a SICR. The use of forward-looking information represents a key source of estimation uncertainty.

The Group uses four forward-looking economic scenarios: a base case (central view), an alternative upside scenario, an alternative moderate downside scenario and an alternative severe downside scenario.

Scenarios are developed to reflect the Group's expectations based on information available at the time (which may differ to actual outcomes).The central view used is informed by the HM Treasury Central forecast that is published quarterly and used as part of the Group's corporate planning activity. Intra-quarter, the Group considers survey-based data and lead indicators to inform whether the central view continues to be appropriate. The Group focuses its view on the next five years as part of the narrative to the scenario but has rate paths that extend out beyond the planning period for the Group and up to 20 years.

For the alternative scenarios, the Group is not large enough to have an internal economist and therefore works with a third party on the narrative of the scenarios and the rate paths to ensure that they are internally consistent using the UK Treasury model. The rate paths used in the scenarios are consistent with the core UK macroeconomic factors that are published by the Bank of England as part of the annual stress testing exercise.

The nature and shape of the economic scenarios reflect the outlook of the UK economy.

As at 31 December 2024, the economic scenarios used reflected the Group's expectations based on the information available at the time. Assumptions embedded in the scenarios reflect that the economy is expected to be 1.6% larger at 31 December 2025 than it was at 31 December 2024 boosted in the short-term by government investment following the Budget but increases in employer NICs and increase in the minimum wage are expected to mean that growth will be lower than OBR estimates. Inflation remains sticky and with increases in energy prices and the pass through of higher employment costs to customers means that inflation remains above target during 2025. The Bank of England reduced Bank Rate by 0.25% to 4.5% in February 2025 but the path for future interest rate changes is expected to be slower and end 2025 at 4%.

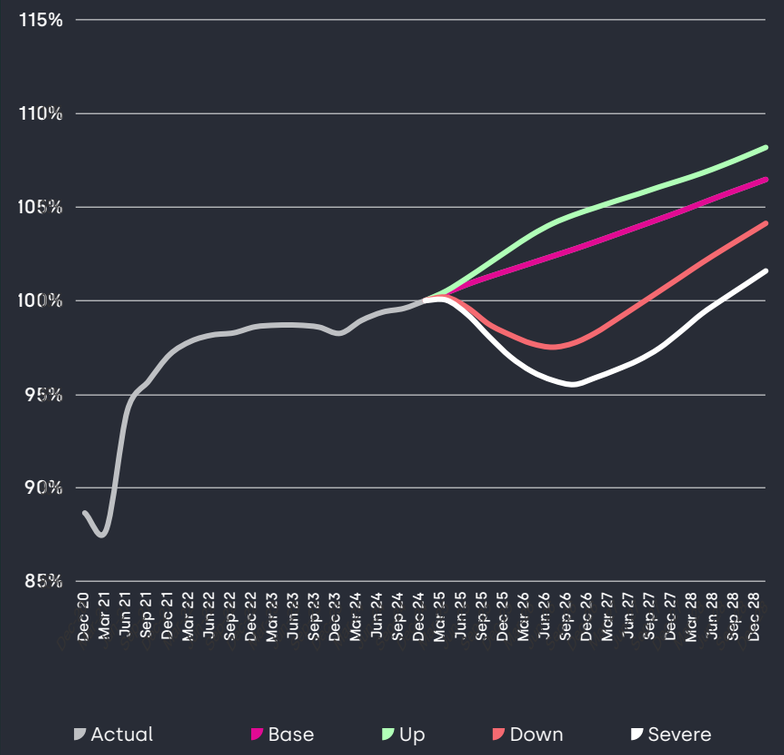
Affordability remains a key challenge for the housing market but is expected to be reflected in weaker activity than any significant fall in house prices. The downside scenario assumes that Bank Rate is maintained at 4.75% until Q1 2025 with consumers sharply reducing discretionary expenditure and pushing the economy into recession and with inflation well below target Bank Rate, which reduces sharply in February 2025. Insolvencies risk in construction and house prices fall by 12.8%. In the severe downside scenario, a combination of shocks sees inflation rise sharply, hitting a peak of 6.5% in Q4 2025. The Bank of England raises interest rates to 6.25%, leading to a crash in asset prices. House prices fall 20% peak to trough, reflecting a return to fundamentals and forced selling. This reinforces the fall in spending through reduced household wealth and its indirect impact on confidence. The unemployment rate rises to 8%.

As at 31 December 2024, the economic scenarios used reflect that the UK economy grows by 1.6% in 2025. The scenarios reflect a higher for longer rate scenario with Bank Rate not expected to reduce until Q2 2025, with signals that the Bank of England is prepared to act again if needed. The risk outlook is impacted by geopolitical tensions from the Middle East and Ukraine and the potential impacts of tariffs on trade particularly in the EU and China.

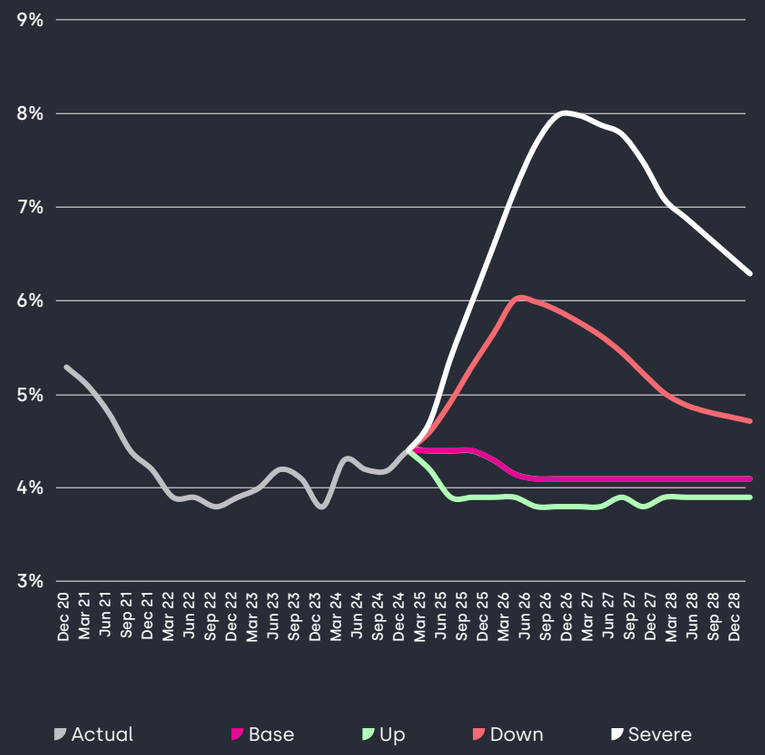
Principal risks: Credit risk

A summary of the economic variables used in both reported years are detailed in the following charts and tables:

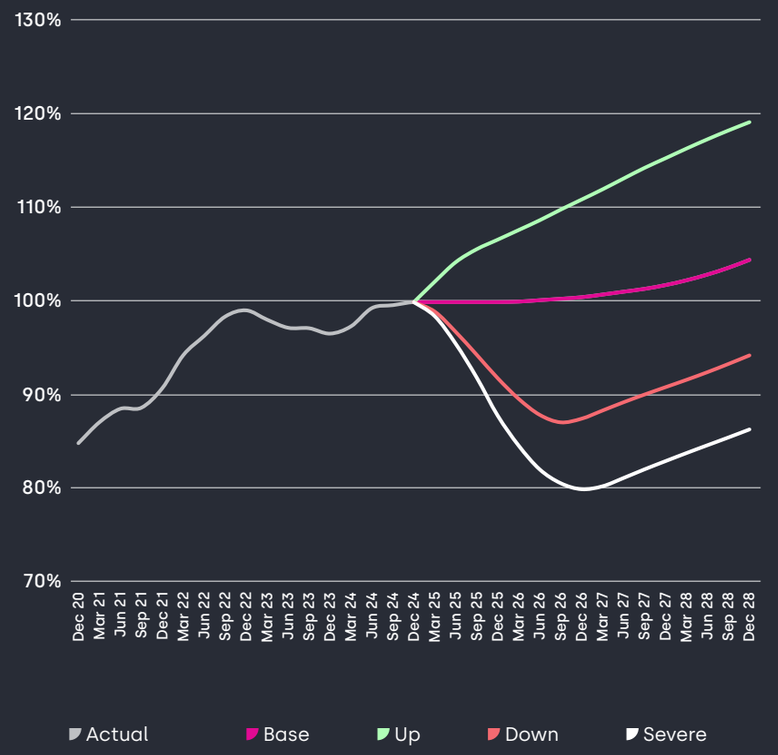
UK Real GDP (Indexed Dec 2024 = 100)



UK Unemployment (%)



UK Residential Property Prices (Indexed Dec 2024 = 100)



Principal risks: Credit risk

As at 31 December 2024		2025	2026	2027	2028	2029
GDP – % average change year-on-year	Base	1.6%	1.5%	1.5%	1.6%	1.6%
	Upside	2.2%	2.6%	1.5%	1.5%	1.8%
	Downside	(0.3%)	(1.4%)	2.4%	2.9%	2.6%
	Severe downside	(0.9%)	(2.8%)	1.4%	3.3%	3.0%
Bank Rate (%)	Base	4.00%	3.50%	2.75%	2.75%	2.75%
	Upside	3.50%	3.00%	2.75%	2.75%	2.75%
	Downside	2.00%	2.50%	2.75%	2.75%	2.75%
	Severe downside	6.25%	5.25%	4.25%	3.00%	2.75%
UK Unemployment (%)	Base	4.3%	4.1%	4.1%	4.1%	4.1%
	Upside	3.9%	3.8%	3.9%	3.9%	3.9%
	Downside	5.7%	5.8%	5.0%	4.7%	4.6%
	Severe downside	6.6%	8.0%	7.1%	6.3%	5.7%
Consumer Price Index – % change year-on-year	Base	2.3%	2.0%	2.0%	2.0%	2.0%
	Upside	1.8%	1.8%	2.0%	2.0%	2.0%
	Downside	0.8%	1.9%	2.0%	2.0%	2.0%
	Severe downside	6.5%	2.8%	2.0%	2.0%	2.0%
UK Residential House Price Index – % change year-on-year	Base	0.0%	0.5%	1.3%	2.6%	3.0%
	Upside	6.7%	4.0%	4.0%	3.3%	3.4%
	Downside	(8.1%)	(4.7%)	3.9%	3.7%	4.0%
	Severe downside	(12.1%)	(9.0%)	3.8%	4.1%	4.2%

As at 31 December 2023		2024	2025	2026	2027	2028
GDP – % average change year-on-year	Base	0.0%	2.2%	2.8%	2.2%	1.6%
	Upside	1.6%	3.0%	2.9%	2.1%	1.6%
	Downside	(1.9%)	1.6%	3.9%	2.7%	1.7%
	Severe downside	(3.7%)	0.7%	3.8%	4.1%	2.1%
Bank Rate (%)	Base	5.00%	3.75%	3.25%	2.50%	2.25%
	Upside	4.50%	3.50%	3.00%	2.25%	2.25%
	Downside	5.50%	4.00%	3.50%	2.75%	2.25%
	Severe downside	6.00%	5.00%	4.50%	3.50%	2.50%
UK Unemployment (%)	Base	4.7%	4.2%	4.1%	4.1%	4.1%
	Upside	3.8%	3.8%	3.9%	3.9%	3.9%
	Downside	5.9%	5.7%	4.8%	4.5%	4.4%
	Severe downside	7.5%	7.7%	6.5%	5.7%	5.3%
Consumer Price Index – % change year-on-year	Base	2.0%	2.0%	2.0%	2.0%	2.0%
	Upside	0.9%	2.0%	2.0%	2.0%	2.0%
	Downside	3.2%	2.0%	2.0%	2.0%	2.0%
	Severe downside	5.7%	2.1%	2.0%	2.0%	2.0%
UK Residential House Price Index – % change year-on-year	Base	(7.8%)	3.2%	4.9%	4.2%	3.3%
	Upside	4.5%	5.8%	4.3%	3.2%	3.3%
	Downside	(10.8%)	(2.2%)	3.7%	4.4%	3.4%
	Severe downside	(17.2%)	(6.9%)	6.9%	6.3%	3.7%

Principal risks: Credit risk

The probability weightings applied to the above scenarios are another area of estimation uncertainty. They are generally set to ensure that there is an asymmetry in the ECL. The probability weightings applied to the four economic scenarios used are as follows:

	2024	2023
Base	50%	50%
Upside	10%	10%
Downside	30%	30%
Severe downside	10%	10%

In determining the probability weightings, the Group has regularly considered the nature and probability of the alternative downside scenarios. The forecasts have largely evolved as expected since 30 June 2024 and there has been no change in weighting approved for 2024.

The Group undertakes a review of its economic scenarios and the probability weightings applied at least quarterly and more frequently if required. The results of this review are recommended to the Audit Committee and the Board prior to any changes being implemented.

The calculation of ECLs is sensitive to the assumptions made regarding the forward-looking scenarios used and the probability weightings applied. The Group performs sensitivity analysis to assess the impact on the loss allowance recognised on its loans and advances to customers.

The following table shows the loss allowance as at 31 December 2024 for loans and advances to customers at amortised cost and FVOCI, and loan commitments based on the probability-weighted multiple economic scenarios, as recognised in the statement of financial position, and the impact on this loss allowance if each individual forward-looking scenario was weighted at 100%.

In relation to the below analysis, in each of the scenarios, judgemental adjustments to modelled ECLs (PMAs and overlays) are assumed to be constant and have been added back into each of the scenarios.

As at 31 December 2024	Probability – weighted loss allowance per statement of financial position £m	Increase/(decrease) in loss allowance if scenario weighted at 100%			
		Base £m	Upside £m	Downside £m	Severe downside £m
Real Estate	44.3	(3.1)	(7.6)	4.0	10.8
SME	76.8	(1.6)	(3.4)	1.7	6.3
Consumer Finance	33.9	(0.7)	(1.2)	0.7	2.6
Retail Mortgage Brands	17.0	(1.2)	(2.5)	1.5	3.9
Total	172.0	(6.6)	(14.7)	7.9	23.6

As at 31 December 2023	Probability – weighted loss allowance per statement of financial position £m	Increase/(decrease) in loss allowance if scenario weighted at 100%			
		Base £m	Upside £m	Downside £m	Severe downside £m
Real Estate	37.4	(1.6)	(8.0)	2.2	9.2
SME	60.6	(1.0)	(4.5)	1.4	5.0
Consumer Finance	30.2	(0.7)	(1.2)	0.5	2.5
Retail Mortgage Brands	12.5	(0.7)	(2.4)	0.8	3.4
Total	140.7	(4.0)	(16.1)	4.9	20.1

Principal risks: Credit risk

Model estimations

ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The Group considers the key assumptions impacting the ECL calculation to be within the PD and LGD. Sensitivity analysis is performed by the Group to assess the impact of changes in these key assumptions on the loss allowance recognised on loans and advances to customers measured at amortised cost, FVOCI and loan commitments. For Consumer Finance the sensitivity analysis does not include the impact on motor finance where the Group is currently developing its models.

A summary of the key assumptions and sensitivity analysis as at 31 December 2024 is provided in the following table.

Assumption	Sensitivity analysis
PD (excluding motor finance)	• A 10% increase in the PD for each customer would increase the total loss allowance on loans and advances to customers at FVOCI and amortised cost by £7.6 million.
LGD: Real Estate and Retail Mortgages Brands[1] • Property value • Forced sale discount	• A 10% absolute reduction in property prices would increase the loss allowance on loans and advances to customers at amortised cost in the Real Estate segments by £11.7 million. • A 10% absolute reduction in property prices would increase the loss allowance on loans and advances to customers at FVOCI and amortised cost in Retail Mortgage Brands segments by £3.9 million. • A 5% absolute increase in the forced sale discount would increase the loss allowance on loans and advances to customers at amortised cost in the Real Estate segments by £8.3 million. • A 5% absolute increase in the forced sale discount would increase the loss allowance on loans and advances to customers at FVOCI and amortised cost in Retail Mortgage Brands segments by £2.6 million.
LGD: SME • Absolute LGD value	• A 5% absolute increase in the LGD applied would increase the total loss allowance on loans and advances to customers at amortised cost in SME by £6.2 million.
LGD: Consumer Finance (excluding motor finance) • Loss given charge-off	• A 10% absolute increase in the loss given charge-off would increase the loss allowance on loans and advances to customers at amortised cost in Consumer Finance by £3.5 million.

Exposure to credit risk *(audited)*

The following table presents the Group's maximum exposure to credit risk before taking into account any collateral held or other credit risk enhancements (unless such enhancements meet accounting offsetting enhancements).

For financial assets, the maximum exposure to credit risk is the carrying amount. For the purposes of this disclosure, fair value adjustments for hedged risk recognised on loans and advances to customers are not included. For loan commitments, the maximum exposure to credit risk is the full amount of the committed facilities.

	2024 £m	2023 £m
Cash and balances at central banks	**2,244.7**	2,188.1
Loans and advances to banks	**304.4**	480.7
Loans and advances to customers at amortised cost	**11,647.6**	10,500.4
Loans and advances to customers at FVOCI	**3,601.1**	2,812.0
Investment securities	**1,513.6**	822.1
Derivative financial assets	**227.1**	252.7
Loan commitments	**1,414.4**	1,280.8
Maximum exposure to credit risk	**20,952.9**	18,336.8

1 For the purpose of sensitivity analysis, all calculations are applied at account level, however the Retail Mortgage Brands parameters are grouped with the Real Estate while the Group develops its methodology.

Principal risks: Credit risk

To assess exposure to credit risk, the Group has developed a credit risk grading system, as set out in the table below, which maps to a common master grading scale. This credit risk grading system is applied to the Group's financial assets for which a loss allowance is recognised, together with loan commitments. The grading system consists of 25 grades on a master grading scale, reflecting varying degrees of risk and default. Responsibility for setting risk grades lies with the approval point for the risk or committee, as appropriate. Risk grades are subject to regular reviews by the Group's risk function. The grading system remains unchanged compared to that used in the year ended 31 December 2023.

Credit risk grading	Master grading scale	PD range
Low risk	1-10	<=0.38%
Medium risk	11-15	>0.38% to <= 1.76%
High risk	16-25	>1.76%

The following information provides an analysis of the Group's exposures to credit risk by credit risk grade and year-end stage classification. The credit risk grade refers to the grades defined in the preceding table. The year-end stage classification refers to the IFRS 9 stage, as defined on page 105. It should be noted that the credit risk grading is a point-in-time assessment, whereas the year-end stage classification is determined based on the change in credit risk since initial recognition. As such, for non-credit impaired financial assets, there is not a direct relationship between the credit risk grade and stage classification.

For cash and balances at central banks, loans and advances to banks and investment securities, all exposures are graded as low risk and are in Stage 1 in both reported years.

For loans and advances to customers at amortised cost, FVOCI and loan commitments, analysis is provided in the following tables. TML Buy-to-Let loans and advances to customers at FVOCI, certain acquired portfolios held at amortised cost, and loans originated through the BMFL platform lending agreement and JBR in Consumer Finance remain ungraded. The Group is planning to develop a new credit grading model for Buy-to-Let and motor finance.

Loans and advances to customers at amortised cost and FVOCI	2024				2023 (Restated)[1]			
	Stage 1 £m	**Stage 2 £m**	**Stage 3[2] £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3[2] £m	Total £m
Low risk	**1,493.0**	**257.2**	**3.5**	**1,753.7**	1,428.8	81.2	1.2	1,511.2
Medium risk	**6,218.0**	**123.1**	**3.6**	**6,344.7**	5,451.7	185.9	8.3	5,645.9
High risk	**3,410.8**	**836.7**	**539.1**	**4,786.6**	3,288.5	947.7	355.6	4,591.8
Ungraded	**2,463.6**	**36.5**	**23.0**	**2,523.1**	1,658.4	22.0	13.3	1,693.7
Gross carrying amount	**13,585.4**	**1,253.5**	**569.2**	**15,408.1**	11,827.4	1,236.8	378.4	13,442.6

Loan commitments	2024				2023			
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Low risk	**764.6**	**–**	**1.0**	**765.6**	857.4	–	–	857.4
Medium risk	**346.9**	**–**	**0.1**	**347.0**	213.1	0.5	6.4	220.0
High risk	**232.2**	**54.2**	**15.4**	**301.8**	137.6	56.6	9.2	203.4
Total amount committed	**1,343.7**	**54.2**	**16.5**	**1,414.4**	1,208.1	57.1	15.6	1,280.8

1 The 2023 comparative table has been restated to include £2,812 million loans at FVOCI. There has been no impact on the Group's income statement or statement of financial position as a result of the restatement.

2 Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.0 million, of which £21.7 million is high risk, £0.4 million medium risk, £2.9 million low risk and £4.0 million ungraded (2023: £22.3 million; £22.3 million high risk and £nil million ungraded). The associated loss allowance is £4.8 million (2023: £4.8 million).

Principal risks: Credit risk

Concentrations of credit risk *(audited)*

A concentration of credit risk exists when a number of counterparties are located in a geographical region or are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group monitors concentrations of credit risk and implements limits on concentrations where necessary in order to mitigate and control credit concentration risk.

Additional analysis regarding concentrations of credit risk in relation to loans and advances to customers, the principal source of credit risk for the Group, is provided below. Amounts included in these tables present the combined carrying amount of the Group's loans and advances to customers at amortised cost and at FVOCI.

Concentrations of credit risk by geographic location

The following tables analyse the combined carrying amount of loans and advances to customers at amortised cost and at FVOCI by lending segment[1] and geographic location. The Group is predominantly a UK lender and continues to maintain a geographically diverse portfolio spanning across the UK. Outside of the UK, a small proportion of loans are attributable to counterparties domiciled in the Channel Islands, representing 0.2% of total loans (2023: 0.2% of total loans).

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
East Anglia	182.6	110.6	33.5	157.7	484.4
East Midlands	404.0	177.8	59.8	278.0	919.6
Greater London	2,496.4	876.3	129.6	1,169.8	4,672.1
Guernsey/Jersey/Isle of Man	10.8	21.9	-	-	32.7
North East	127.3	26.8	39.4	122.9	316.4
North West	709.3	403.5	108.0	472.3	1,693.1
Northern Ireland	8.9	0.5	3.2	1.4	14.0
Scotland	310.1	35.0	76.6	292.9	714.6
South East	1,276.7	508.1	179.2	948.8	2,912.8
South West	410.6	413.7	59.4	259.8	1,143.5
Wales	149.6	63.8	38.1	132.4	383.9
West Midlands	430.8	244.7	84.3	335.5	1,095.3
Yorkshire/Humberside	314.9	200.2	70.6	280.6	866.3
Carrying amount[2]	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
East Anglia	185.8	120.8	22.9	149.6	479.1
East Midlands	313.4	148.2	39.9	251.7	753.2
Greater London	2,287.5	740.5	66.7	912.1	4,006.8
Guernsey/Jersey/Isle of Man	12.3	15.3	–	–	27.6
North East	115.7	27.6	31.2	113.5	288.0
North West	573.7	302.6	70.0	410.5	1,356.8
Northern Ireland	7.0	0.8	0.1	2.6	10.5
Scotland	294.6	48.9	72.0	268.0	683.5
South East	1,172.8	416.8	115.6	846.9	2,552.1
South West	378.4	341.6	49.0	224.7	993.7
Wales	132.2	66.0	31.1	121.9	351.2
West Midlands	378.1	243.0	55.1	283.0	959.2
Yorkshire/Humberside	314.4	226.0	53.3	257.0	850.7
Carrying amount[2]	6,165.9	2,698.1	606.9	3,841.5	13,312.4

1 Information is based on the revised composition and naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

Concentrations of credit risk by loan size

The following tables present an analysis of the combined carrying amount of loans and advances to customers at amortised cost and at FVOCI by lending segment[1] and loan size. The Group continues to manage concentration risk through product caps, restricting large exposures to higher credit graded customers, and through specific risk appetite limits on exposure to larger counterparties. Loans with a carrying amount exceeding £25.0 million represents 1.5% of total loans (2023: 1.9% of total loans), whilst 63.2% of total loans have a carrying amount of less than £1.0 million (2023: 63.9% of total loans).

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
0 – £50k	105.8	36.5	663.1	45.7	851.1
£50k – £100k	304.5	62.4	100.4	451.5	918.8
£100k – £250k	1,041.8	108.7	98.5	2,089.4	3,338.4
£250k – £500k	1,379.8	113.1	17.8	1,429.9	2,940.6
£500k – £1.0 million	1,040.8	184.3	1.9	368.1	1,595.0
£1.0 million – £2.5 million	1,330.6	443.6	–	62.0	1,836.2
£2.5 million – £5.0 million	665.6	493.6	–	5.5	1,164.7
£5.0 million – £10.0 million	441.8	558.9	–	–	1,000.7
£10.0 million – £25.0 million	436.0	939.5	–	–	1,375.5
> £25.0 million	85.3	142.3	–	–	227.6
Carrying amount[2]	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
0 – £50k	118.0	35.9	606.0	43.1	803.0
£50k – £100k	333.2	45.0	0.9	416.0	795.1
£100k – £250k	1,044.0	93.0	–	1,856.3	2,993.3
£250k – £500k	1,262.0	110.5	–	1,181.5	2,554.0
£500k – £1.0 million	904.9	157.3	–	293.3	1,355.5
£1.0 million – £2.5 million	1,175.1	345.4	–	48.5	1,569.0
£2.5 million – £5.0 million	582.5	465.2	–	2.8	1,050.5
£5.0 million – £10.0 million	373.7	533.4	–	–	907.1
£10.0 million – £25.0 million	317.0	711.4	–	–	1,028.4
> £25.0 million	55.5	201.0	–	–	256.5
Carrying amount[2]	6,165.9	2,698.1	606.9	3,841.5	13,312.4

1 Information is based on the revised composition and naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

Concentrations of credit risk by industry

The following tables present an analysis of the combined carrying amount of loans and advances to customers at amortised cost and at FVOCI by lending segment[1] and industry. The industry segmentation of the Group's loans and advances to customers remains focused on mortgages and real estate activities, which represents 72.2% of total loans (2023: 72.5% of total loans).

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
Agriculture, forestry and fishing	0.4	3.2	0.5	–	4.1
Manufacturing	8.1	163.1	3.0	–	174.2
Transport, storage and utilities	16.2	409.4	8.1	0.2	433.9
Construction	577.9	602.8	11.9	–	1,192.6
Wholesale and retail trade	14.0	234.8	15.2	–	264.0
Real estate activities	4,509.5	688.0	22.0	1,379.9	6,599.4
Financial and insurance activities	40.1	698.3	2.8	–	741.2
Services and other	118.0	276.5	12.9	1.4	408.8
Personal:					
Mortgages	1,332.1	–	–	3,070.6	4,402.7
Other	215.7	6.8	805.3	–	1,027.8
Carrying amount[2]	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Agriculture, forestry and fishing	0.4	13.6	–	–	14.0
Manufacturing	4.2	173.5	–	–	177.7
Transport, storage and utilities	8.3	329.0	–	0.2	337.5
Construction	490.1	537.9	–	–	1,028.0
Wholesale and retail trade	13.0	221.5	–	–	234.5
Real estate activities	3,960.6	556.3	–	962.9	5,479.8
Financial and insurance activities	25.8	616.3	–	–	642.1
Services and other	106.3	245.9	–	1.3	353.5
Personal:					
Mortgages	1,284.7	–	–	2,877.1	4,161.8
Other	272.5	4.1	606.9	–	883.5
Carrying amount[2]	6,165.9	2,698.1	606.9	3,841.5	13,312.4

1 Information is based on the revised composition and naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

Collateral held and other credit enhancements *(audited)*

As a key method of mitigating credit risk, the Group holds collateral and other credit enhancements against certain of its financial assets. The Group operates internal policies governing the acceptability of specific classes of collateral or credit risk mitigation. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

The Group's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collateral held by the Group since the prior year.

Derivative financial assets

All new eligible derivative transactions with wholesale counterparties are centrally cleared with cash posted as collateral to further mitigate credit risk. Residual and non-eligible trades are collateralised under a Credit Support Annex in conjunction with the ISDA Master Agreement.

Non-derivative financial assets

For loans and advances to banks and investment securities, collateral is generally not held. However, at times, certain securities are held as part of reverse repurchase agreements.

For loans and advances to customers, the Group obtains collateral for certain of its exposures. The types of collateral obtained is dependent upon the loan type:

- **Loan receivables:** amounts may be secured by a first or second charge over commercial and residential property, or against debt receivables or other assets such as asset backed loans and invoice receivables. Certain loans may also be non-asset backed, for example loans secured by virtue of a guarantor, government guarantee (e.g. loans offered under the Coronavirus Business Interruption Loan Scheme and Recovery Loan Scheme) or business covenant.
- **Finance lease receivables and instalment credit receivables:** amounts are secured against the underlying asset, which can be repossessed in the event of a default.

Collateral held in relation to secured loans is capped, after taking into account the first charge balance, at the carrying amount of the loan.

The following tables set out the security profile of the Group's loans and advances to customers by lending segment[1]. Amounts included in the tables present the combined carrying amount of loans and advances to customers at amortised cost and at FVOCI.

Other secured loans include loans secured by other assets and non-asset backed loans.

	Commercial		Retail		
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Total £m**
Secured on commercial and residential property	6,832.0	703.3	–	4,452.1	11,987.4
Secured on debt receivables	–	1,573.0	–	–	1,573.0
Secured on finance lease assets	–	21.9	–	–	21.9
Secured on instalment credit assets	–	474.2	269.0	–	743.2
Other secured loans	–	294.7	–	–	294.7
Total secured loans and advances to customers	6,832.0	3,067.1	269.0	4,452.1	14,620.2
Unsecured loan receivables	–	15.8	612.7	–	628.5
Carrying amount[2]	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Secured on commercial and residential property	6,165.9	614.9	–	3,841.5	10,622.3
Secured on debt receivables	–	973.4	–	–	973.4
Secured on finance lease assets	–	26.0	–	–	26.0
Secured on instalment credit assets	–	421.2	–	–	421.2
Other secured loans	–	662.6	–	–	662.6
Total secured loans and advances to customers	6,165.9	2,698.1	–	3,841.5	12,705.5
Unsecured loan receivables	–	–	606.9	–	606.9
Carrying amount[2]	6,165.9	2,698.1	606.9	3,841.5	13,312.4

1 Information is based on the revised composition and naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

2 Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Principal risks: Credit risk

Credit-impaired financial assets

The Group closely monitors collateral held for financial assets considered to be credit-impaired (Stage 3 and POCI), reflecting the increased likelihood that the Group may need to take possession of such collateral to mitigate credit losses.

The only asset categories with credit-impaired assets are loans and advances to customers (including those measured at amortised cost and at FVOCI).

The below tables provide further information about the credit-impaired loans at amortised cost and the related collateral held by lending segment[1]. The fair value of collateral is capped at the carrying amount of the loan.

	Gross carrying amount		Loss allowance		Carrying amount		Fair value of collateral held
As at 31 December 2024	**Secured £m**	**Unsecured £m**	**Secured £m**	**Unsecured £m**	**Secured £m**	**Unsecured £m**	**£m**
Real Estate	198.5	–	(28.0)	–	170.5	–	170.5
SME	192.3	–	(40.2)	–	152.1	–	152.1
Consumer Finance	10.2	8.6	(0.8)	(5.7)	9.4	2.9	9.4
Retail Mortgage Brands	97.2	–	(3.3)	–	93.9	–	93.9
Total credit-impaired loans at amortised cost	498.2	8.6	(72.3)	(5.7)	425.9	2.9	425.9

	Gross carrying amount		Loss allowance		Carrying amount		Fair value of collateral held
As at 31 December 2023	Secured £m	Unsecured £m	Secured £m	Unsecured £m	Secured £m	Unsecured £m	£m
Real Estate	173.2	–	(24.3)	–	148.9	–	148.9
SME	82.6	–	(20.3)	–	62.3	–	62.3
Consumer Finance	–	6.9	–	(5.6)	–	1.3	n/a
Retail Mortgage Brands	89.4	–	(3.7)	–	85.7	–	85.7
Total credit-impaired loans at amortised cost	345.2	6.9	(48.3)	(5.6)	296.9	1.3	296.9

Credit-impaired loans at FVOCI have a carrying amount of £62.4 million (2023: £26.3 million). These loans are fully secured with the fair value of collateral deemed to be at least equal to the carrying amount.

The following tables show the distribution of loan-to-value ratios for the Group's credit-impaired mortgage assets held in the Real Estate and Retail Mortgage Brands lending segments. The loan-to-value is calculated as the ratio of the customer loan balance to the value of the collateral at origination. Amounts in the following tables reflect the carrying amount of the credit-impaired mortgage assets.

	Credit-impaired mortgage assets at amortised cost		Credit-impaired mortgage assets at FVOCI
As at 31 December 2024	**Real Estate £m**	**Retail Mortgage Brands £m**	**Retail Mortgage Brands £m**
Loan-to-value ratio			
Less than 50%	9.5	3.5	4.6
50-70%	62.4	29.1	19.8
71-90%	98.4	61.3	35.1
91-100%	0.2	–	–
More than 100%	–	–	–
Total credit-impaired mortgage assets	170.5	93.9	59.5

1 Information is based on the revised composition and naming of lending segments as detailed on page 85. Prior year comparatives have not been restated, and the revised naming conventions have been applied to the prior year comparative tables.

Principal risks: Credit risk

As at 31 December 2023	Credit-impaired mortgage assets at amortised cost: Real Estate £m	Credit-impaired mortgage assets at amortised cost: Retail Mortgage Brands £m	Credit-impaired mortgage assets at FVOCI: Retail Mortgage Brands £m
Loan-to-value ratio			
Less than 50%	7.3	4.3	1.2
50-70%	60.3	26.7	10.0
71-90%	81.0	54.7	14.0
91-100%	0.3	–	–
More than 100%	–	–	–
Total credit-impaired mortgage assets	148.9	85.7	25.2

Repossessions

The Group's policy is to pursue the realisation of collateral in an orderly manner. As at 31 December 2024, the Group held 52 repossessed properties with a carrying amount of £64.1 million (2023: 29 repossessed properties with carrying amount of £36.5 million).

Forbearance *(audited)*

The Group maintains a forbearance policy for the servicing and management of customers who are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Group. A concession may be either of the following:

- modification of previous terms and conditions of an agreement, which the borrower is considered unable to comply with due to its financial difficulties, to allow for sufficient debt service ability, that would not have been granted had the borrower not been in financial difficulty; or
- total or partial refinancing of an agreement that would not have been granted had the borrower not been in financial difficulty.

Forbearance in relation to an exposure can be temporary or permanent depending on the circumstances, progress on financial rehabilitation and the detail of the concession(s) agreed.

The Group excludes short-term repayment plans that are up to three months in duration from its definition of forborne loans.

The Group applies the European Banking Authority (EBA) Implementing Technical Standards on forbearance and non-performing exposures as defined in Annex V of Commission Implementing Regulation (EU) 2015/227. Under these standards, loans are classified as performing or non-performing in accordance with the EBA rules, as adopted by the PRA.

The EBA standards stipulate that a forbearance classification can be discontinued when all of the following conditions have been met:

- the exposure is considered to be performing, including where it has been reclassified from the non-performing category, after an analysis of the financial condition of the debtor showed that it no longer met the conditions to be considered as non-performing;
- a minimum two-year probation period has passed from the date the forborne exposure was considered to be performing;
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period; and
- none of the exposures to the debtor is more than 30 days past due at the end of the probation period.

The following tables provide a summary of the Group's forborne loans and advances to customers by lending segment and year-end stage classification. This includes both loans measured at amortised cost and those measured at FVOCI. For FVOCI loans, the gross carrying amount column represents the carrying amount of these loans (i.e. including fair value adjustments).

Principal risks: Credit risk

As at 31 December 2024	Number of loans	Gross amount of forborne loans: Performing £m	Gross amount of forborne loans: Non-performing £m	Gross amount of forborne loans: Total £m	Loss allowance on forborne loans: Performing £m	Loss allowance on forborne loans: Non-performing £m	Loss allowance on forborne loans: Total £m	Coverage %
Real Estate								
Stage 2	91	5.7	2.6	8.3	(0.1)	–	(0.1)	1.2
Stage 3	468	–	40.5	40.5	–	(4.0)	(4.0)	9.9
Real Estate total	559	5.7	43.1	48.8	(0.1)	(4.0)	(4.1)	8.4
SME								
Stage 2	59	54.5	–	54.5	(3.2)	–	(3.2)	5.9
Stage 3	105	–	44.5	44.5	–	(15.0)	(15.0)	33.7
SME total	164	54.5	44.5	99.0	(3.2)	(15.0)	(18.2)	18.4
Consumer Finance								
Stage 2	296	1.2	1.1	2.3	(0.1)	(0.4)	(0.5)	21.7
Stage 3	606	–	2.6	2.6	–	(2.0)	(2.0)	76.9
Consumer Finance total	902	1.2	3.7	4.9	(0.1)	(2.4)	(2.5)	51.0
Retail Mortgage Brands								
Stage 2	111	11.9	6.2	18.1	–	(0.1)	(0.1)	0.6
Stage 3	392	–	75.7	75.7	–	(3.0)	(3.0)	4.0
Retail Mortgage Brands total	503	11.9	81.9	93.8	–	(3.1)	(3.1)	3.3
Total								
Stage 2	557	73.3	9.9	83.2	(3.4)	(0.5)	(3.9)	4.7
Stage 3	1,571	–	163.3	163.3	–	(24.0)	(24.0)	14.7
Total	2,128	73.3	173.2	246.5	(3.4)	(24.5)	(27.9)	11.3

As at 31 December 2023	Number of loans	Gross amount of forborne loans: Performing £m	Gross amount of forborne loans: Non-performing £m	Gross amount of forborne loans: Total £m	Loss allowance on forborne loans: Performing £m	Loss allowance on forborne loans: Non-performing £m	Loss allowance on forborne loans: Total £m	Coverage %
Real Estate								
Stage 2	105	6.5	5.3	11.8	(0.1)	(0.2)	(0.3)	2.5
Stage 3	505	–	42.5	42.5	–	(5.5)	(5.5)	12.9
Real Estate total	610	6.5	47.8	54.3	(0.1)	(5.7)	(5.8)	10.7
SME								
Stage 2	151	109.8	–	109.8	(6.0)	–	(6.0)	5.5
Stage 3	223	–	26.4	26.4	–	(6.7)	(6.7)	25.4
SME total	374	109.8	26.4	136.2	(6.0)	(6.7)	(12.7)	9.3
Consumer Finance								
Stage 2	167	0.4	0.6	1.0	–	(0.3)	(0.3)	30.0
Stage 3	675	–	3.0	3.0	–	(2.4)	(2.4)	80.0
Consumer Finance total	842	0.4	3.6	4.0	–	(2.7)	(2.7)	67.5
Retail Mortgage Brands								
Stage 2	10	1.4	0.4	1.8	–	–	–	0.0
Stage 3	327	–	58.8	58.8	–	(2.3)	(2.3)	3.9
Retail Mortgage Brands total	337	1.4	59.2	60.6	–	(2.3)	(2.3)	3.8
Total								
Stage 2	433	118.1	6.3	124.4	(6.1)	(0.5)	(6.6)	5.3
Stage 3	1,730	–	130.7	130.7	–	(16.9)	(16.9)	12.9
Total	2,163	118.1	137.0	255.1	(6.1)	(17.4)	(23.5)	9.2

Principal risks: Market, liquidity and capital risk

In the following sections, information under headings marked as 'audited' is covered by the Independent Auditor's Report. All other information is unaudited.

The 'market, liquidity and capital' principal risk comprises three components, each with specific disclosure requirements attached to them. As such, each of the components are presented in turn.



Market risk

This section specifically provides information about:

- Managing market risk
- Exposure to market risk
- Metrics used in assessing and monitoring market risk

Managing market risk

The Group's treasury function is responsible for managing the Group's exposure to all aspects of market risk within the limits set out in the Group's Market Risk Policy, with the overall objective of managing market risk in line with the Group's risk appetite. The Board approves the Group Market Risk Policy and the ALCo approves the Group's treasury policies and receives regular reports on all aspects of market risk exposure.

Additional details about managing the specific forms of market risk that the Group is exposed to are provided in the following section.

Exposure to market risk *(audited)*

The forms of market risk that the Group is exposed to can be further divided into foreign exchange risk, basis risk and interest rate risk. Additional details regarding each of these is provided in the following sections.

Foreign exchange risk

Foreign exchange risk is the risk that the value of, or net income arising from, assets and liabilities changes as a result of movements in exchange rates. The Group has low levels of foreign exchange risk that is managed by appropriate financial instruments including derivatives.

The tables below set out the Group's exposure to foreign exchange risk:

As at 31 December 2024	**Euros £m**	**US Dollars £m**	**Australian Dollars £m**
Loans and advances to banks	4.5	3.7	0.2
Loans and advances to customers	(1.5)	20.0	–
Total exposure	3.0	23.7	0.2

As at 31 December 2023	Euros £m	US Dollars £m	Australian Dollars £m
Loans and advances to banks	5.0	5.2	0.4
Loans and advances to customers	1.5	19.8	–
Total exposure	6.5	25.0	0.4

As illustrated by the preceding table, there are no currencies to which the Group has a significant exposure. Accordingly, foreign exchange sensitivity analysis is not provided, as the impact of foreign exchange movements, particularly after taking into account the impact of derivative financial instruments used to manage such risk, is not material.

Basis risk

Basis risk is the risk of loss arising from changes in the relationship between interest rates that have similar but not identical characteristics (for example, SONIA and the Bank of England Bank rate). This is monitored closely and regularly reported to the ALCo. This risk is managed within established risk limits by matching and, where appropriate and necessary, through the use of derivatives and via other control procedures.

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 loan and savings products that the Group offers. This risk is managed through the use of appropriate financial instruments, including derivatives, with established risk limits, reporting lines, mandates and other control procedures.

The Group's forecasts and plans take in to account the risk of interest rate changes and are prepared and stressed accordingly in line with PRA guidance.

Principal risks: Market, liquidity and capital risk

Metrics used in assessing and monitoring market risk

The following tables provide a summary of the Group's interest rate gap position. Items are allocated to time bands by reference to the earlier of the next contractual interest rate change and the maturity date. A behavioural assumption is applied to loans and advances to customers and customer deposits. Equity of the Group is matched against originated long-term fixed loans and the equity is spread across the time bands to match the profile of these assets.

As at 31 December 2024	Within 3 months £m	3 months but <6 months £m	6 months but <1 year £m	1 year but <5 years £m	>5 years £m	Non-interest bearing £m	Total £m
Assets							
Cash and balances at central banks	2,244.7	–	–	–	–	–	2,244.7
Loans and advances to banks	304.4	–	–	–	–	–	304.4
Loans and advances to customers	4,284.0	306.0	1,128.0	9,280.0	502.9	(324.3)	15,176.6
Investment securities	1,503.7	–	–	–	–	9.9	1,513.6
Derivative financial assets	–	–	–	–	–	227.1	227.1
Non-financial assets	1.7	1.4	3.0	12.4	0.9	236.9	256.3
Total assets	8,338.5	307.4	1,131.0	9,292.4	503.8	149.6	19,722.7
Equity and liabilities							
Amounts due to banks	(1,359.9)	–	–	–	–	(16.2)	(1,376.1)
Customer deposits	(7,970.4)	(2,283.6)	(2,850.6)	(2,415.7)	(50.8)	(232.9)	(15,804.0)
Derivative financial liabilities	–	–	–	–	–	(117.1)	(117.1)
Debt securities in issue	(542.3)	–	–	–	–	(6.9)	(549.2)
Lease liabilities	–	–	–	–	–	(25.6)	(25.6)
Subordinated debt liability	–	–	(76.5)	(90.0)	–	(4.6)	(171.1)
Non-financial liabilities	–	–	–	–	–	(97.3)	(97.3)
Equity	(42.0)	(65.0)	(52.0)	(1,165.0)	(105.0)	(153.3)	(1,582.3)
Total equity and liabilities	(9,914.6)	(2,348.6)	(2,979.1)	(3,670.7)	(155.8)	(653.9)	(19,722.7)
Notional values of derivatives	2,296.4	1,745.6	1,451.0	(5,166.8)	(326.2)	–	–
Interest rate sensitivity gap	720.3	(295.6)	(397.1)	454.9	21.8	(504.3)	–
Cumulative gap	720.3	424.7	27.6	482.5	504.3	–	–

Principal risks: Market, liquidity and capital risk

As at 31 December 2023	Within 3 months £m	3 months but <6 months £m	6 months but <1 year £m	1 year but <5 years £m	>5 years £m	Non-interest bearing £m	Total £m
Assets							
Cash and balances at central banks	2,148.2	–	–	–	–	39.9	2,188.1
Loans and advances to banks	480.7	–	–	–	–	–	480.7
Loans and advances to customers	3,959.0	298.5	922.4	7,855.5	514.9	(271.0)	13,279.3
Investment securities	817.4	–	–	–	–	4.7	822.1
Derivative financial assets	–	–	–	–	–	252.7	252.7
Non-financial assets	2.0	1.5	3.2	12.7	0.5	193.4	213.3
Total assets	7,407.3	300.0	925.6	7,868.2	515.4	219.7	17,236.2
Equity and liabilities							
Amounts due to banks	(1,389.0)	–	–	–	–	(16.0)	(1,405.0)
Customer deposits	(6,901.9)	(2,100.8)	(2,675.9)	(1,665.3)	(45.8)	(173.0)	(13,562.7)
Derivative financial liabilities	–	–	–	–	–	(184.5)	(184.5)
Debt securities in issue	(452.6)	–	–	–	–	(10.2)	(462.8)
Lease liabilities	–	–	–	–	–	(6.1)	(6.1)
Subordinated debt liability	–	–	(20.0)	(76.5)	(90.0)	(2.0)	(188.5)
Non-financial liabilities	–	–	–	–	–	(87.9)	(87.9)
Equity	(51.6)	(15.0)	(64.0)	(1,039.0)	(65.0)	(104.1)	(1,338.7)
Total equity and liabilities	(8,795.1)	(2,115.8)	(2,759.9)	(2,780.8)	(200.8)	(583.8)	(17,236.2)
Notional values of derivatives	1,879.0	1,312.3	1,857.6	(4,726.3)	(322.5)	–	–
Interest rate sensitivity gap	491.2	(503.5)	23.3	361.1	(7.9)	(364.2)	–
Cumulative gap	491.2	(12.3)	11.0	372.1	364.2	–	–

The Group considers a parallel 250 basis points (bps) movement in interest rates to be appropriate for scenario testing given the current economic outlook and industry expectations.

The Group estimates that a +/- 250 bps movement in interest rates paid/received would impact the economic value as follows:

- **+ 250 bps:** £4.7 million positive (2023: £7.6 million negative).
- **- 250 bps:** £35.0 million negative (2023: £8.5 million negative).

In addition, the effect of the same two interest rate shocks is applied to the statement of financial position at year end, to determine how net interest income may change on an annualised basis for one year (earnings at risk), as follows:

- **+ 250 bps:** £58.1 million positive (2023: £46.1 million positive).
- **- 250 bps:** £18.6 million negative (2023: £7.6 million negative).

In preparing the above, the Group makes certain assumptions (including floors where appropriate) consistent with expected and contractual repricing behaviour as well as behavioural repayment profiles of the underlying statement of financial position items in relation to the specific scenarios. In addition, equity is allocated to the specific reprice buckets consistent with the Group's reserves investment strategy. The results also include the impact of hedge transactions.

Principal risks: Market, liquidity and capital risk

Liquidity risk

This section specifically provides information about:

- Managing liquidity risk
- Maturity analysis for financial assets and liabilities
- Metrics used in assessing and monitoring liquidity risk

Managing liquidity risk

The Group 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 public confidence.

The Group's treasury function is responsible for the day-to-day management of the Group's liquidity and wholesale funding. The Board sets limits over the level, composition and maturity of liquidity and deposit funding balances, which are reviewed at least annually. Compliance with these limits is monitored on a daily basis by finance and risk personnel that are independent of the treasury function.

Stress testing is a major component of liquidity risk management and the Group has developed a diverse selection of scenarios covering a range of market-wide and firm-specific factors. The Group performs liquidity stress tests to ensure that the Group maintains adequate liquidity for business purposes even under stressed conditions. The Group's core liquidity stress test is performed on a daily basis by the finance function, with a further series of liquidity stress tests performed on a monthly basis that are formally reported to the ALCo and the Board.

A comprehensive review of the Group's Liquidity Risk Framework, including stress testing, is conducted at least annually through the ILAAP. The ALCo, Risk Committee and the Board is heavily involved in the full ILAAP life cycle, with all challenges clearly documented. The ILAAP is used to demonstrate the Group's compliance with the PRA's Overall Liquidity Adequacy Rule and assess funding and liquidity risk across the actual and budgeted statement of financial position.

Maturity analysis for financial assets and liabilities *(audited)*

The following tables segment the carrying amount of the Group's financial assets and liabilities based on the final contractual maturity date. In practice, the Group's assets and liabilities may be repaid, or otherwise mature, earlier or later than implied by their contractual tenor. Accordingly, this information is not relied upon by the Group in managing liquidity risk.

In compiling these tables, the following points should be noted:

- The 'less than 1 month' maturity group includes amounts repayable on demand;
- For loans and advances to customers and customer deposits, the 'more than 5 years' maturity group also includes the fair value adjustment for hedged risk;
- Accrued interest is assigned to the maturity group based on when it is scheduled to be paid.

As at 31 December 2024	Less than 1 month £m	1-3 months £m	3 months -1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Cash and balances at central banks	2,244.7	–	–	–	–	–	2,244.7
Loans and advances to banks	304.4	–	–	–	–	–	304.4
Loans and advances to customers	427.4	444.2	1,180.9	1,055.7	2,251.7	9,816.7	15,176.6
Investment securities	127.9	9.9	–	83.0	868.7	424.1	1,513.6
Derivative financial assets	1.7	4.3	13.1	39.2	148.2	20.6	227.1
Total financial assets	3,106.1	458.4	1,194.0	1,177.9	3,268.6	10,261.4	19,466.4
Financial liabilities							
Amounts due to banks	(325.8)	–	(1,050.3)	–	–	–	(1,376.1)
Customer deposits	(6,821.8)	(1,877.7)	(5,088.6)	(998.6)	(969.5)	(47.8)	(15,804.0)
Derivative financial liabilities	(6.6)	(3.1)	(16.2)	(20.3)	(69.3)	(1.6)	(117.1)
Debt securities in issue	(3.0)	(2.7)	(7.7)	(3.0)	(10.3)	(522.5)	(549.2)
Lease liabilities	(0.1)	(0.2)	(0.8)	(1.0)	(8.3)	(15.2)	(25.6)
Subordinated debt liability	–	–	(7.0)	–	–	(164.1)	(171.1)
Total financial liabilities	(7,157.3)	(1,883.7)	(6,170.6)	(1,022.9)	(1,057.4)	(751.2)	(18,043.1)
Cumulative gap	(4,051.2)	(5,476.5)	(10,453.1)	(10,298.1)	(8,086.9)	1,423.3	1,423.3

Principal risks: Market, liquidity and capital risk

As at 31 December 2023	Less than 1 month £m	1-3 months £m	3 months -1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Financial assets							
Cash and balances at central banks	2,148.2	–	–	–	–	39.9	2,188.1
Loans and advances to banks	480.7	–	–	–	–	–	480.7
Loans and advances to customers	340.9	458.5	1,115.8	704.1	1,959.3	8,700.7	13,279.3
Investment securities	51.3	81.2	81.1	61.7	395.1	151.7	822.1
Derivative financial assets	0.8	0.5	28.4	33.0	170.0	20.0	252.7
Total financial assets	3,021.9	540.2	1,225.3	798.8	2,524.4	8,912.3	17,022.9
Financial liabilities							
Amounts due to banks	(205.0)	–	–	(1,200.0)	–	–	(1,405.0)
Customer deposits	(6,128.3)	(934.1)	(4,823.7)	(1,061.7)	(569.4)	(45.5)	(13,562.7)
Derivative financial liabilities	(7.5)	(5.5)	(24.8)	(21.6)	(110.7)	(14.4)	(184.5)
Debt securities in issue	(5.6)	(7.6)	(21.1)	(14.9)	(42.3)	(371.3)	(462.8)
Lease liabilities	(0.2)	(0.4)	(1.8)	(1.5)	(2.0)	(0.2)	(6.1)
Subordinated debt liability	–	(0.3)	(4.2)	–	–	(184.0)	(188.5)
Total financial liabilities	(6,346.6)	(947.9)	(4,875.6)	(2,299.7)	(724.4)	(615.4)	(15,809.6)
Cumulative gap	(3,324.7)	(3,732.4)	(7,382.7)	(8,883.6)	(7,083.6)	1,213.3	1,213.3

The following tables segment the gross contractual cash flows of the Group's financial liabilities into relevant maturity groupings. Totals in the following table differ to the preceding tables, and do not agree directly to the statement of financial position, as the table incorporates all cash flows on an undiscounted basis, related to both principal and future coupon payments. Estimated future interest payments are derived using interest rates and contractual maturities at the reporting date.

As at 31 December 2024	**Less than 1 month £m**	**1-3 months £m**	**3 months -1 year £m**	**1-2 years £m**	**2-5 years £m**	**More than 5 years £m**	**Total £m**
Amounts due to banks	**325.8**	**9.5**	**1,072.6**	**–**	**–**	**–**	**1,407.9**
Customer deposits	**6,841.8**	**1,891.1**	**5,260.6**	**1,052.7**	**1,116.1**	**58.2**	**16,220.5**
Derivative financial liabilities	**6.6**	**3.1**	**16.2**	**20.3**	**69.3**	**1.6**	**117.1**
Debt securities in issue	**5.6**	**7.9**	**31.6**	**34.8**	**109.3**	**1,084.5**	**1,273.7**
Lease liabilities	**0.1**	**0.3**	**1.1**	**1.3**	**10.9**	**20.1**	**33.8**
Subordinated debt liability	**2.8**	**–**	**12.3**	**17.8**	**53.3**	**217.0**	**303.2**
Total financial liabilities	**7,182.7**	**1,911.9**	**6,394.4**	**1,126.9**	**1,358.9**	**1,381.4**	**19,356.2**

As at 31 December 2023	Less than 1 month £m	1-3 months £m	3 months -1 year £m	1-2 years £m	2-5 years £m	More than 5 years £m	Total £m
Amounts due to banks	205.0	15.8	47.3	1,252.5	–	–	1,520.6
Customer deposits	6,148.9	940.7	4,980.8	1,104.1	636.1	54.6	13,865.2
Derivative financial liabilities	7.5	5.5	24.8	21.6	110.7	14.4	184.5
Debt securities in issue	7.2	10.2	35.2	33.4	95.1	631.9	813.0
Lease liabilities	0.2	0.4	1.9	1.5	2.1	0.2	6.3
Subordinated debt liability	2.8	0.7	13.0	19.1	57.2	258.8	351.6
Total financial liabilities	6,371.6	973.3	5,103.0	2,432.2	901.2	959.9	16,741.2

Principal risks: Market, liquidity and capital risk

Metrics used in assessing and monitoring liquidity risk

Certain metrics that are used by the Group in assessing and monitoring liquidity risk are summarised below.

Liquidity buffer

The Group maintains a liquidity buffer of high quality liquid assets, as defined by the EBA's mandates and adopted by the PRA. These assets can be monetised to meet stress requirements in line with internal stress testing and the requirements of the Delegated Regulation on the Liquidity Coverage Ratio (LCR).

The average liquidity buffer, calculated as the simple average of the month end observations for the preceding 12 months, is £3,480.5 million (2023: £2,738.6 million).

The composition of the Group's liquidity buffer as at 31 December is as follows:

	2024 £m	2023 £m
Cash and withdrawable central bank reserves (LCR level 1 assets)	**2,241.0**	2,451.9
Central government assets (LCR level 1 assets)	**79.3**	–
Extremely high quality covered bonds (LCR level 1 assets)	**722.5**	480.7
High quality covered bonds (LCR level 2A assets)	**–**	–
Asset backed securities (LCR level 2B assets)	**118.7**	57.8
Total liquidity buffer	**3,161.5**	2,990.4

Liquidity coverage ratio

The LCR is a regulatory metric that measures a set of standardised liquidity inflows and outflows over a period of 30 days. The Group calculates the LCR in accordance with the EBA's LCR standards, as adopted by the PRA. The reduction in 2024 was due to certain retail deposits being classified as internet only (the 2023 year-end LCR on this basis would have been 212%).

	2024	2023
Liquidity buffer (£m)	**3,161.5**	2,990.4
Total net cash outflows (£m)	**1,796.1**	1,138.0
Liquidity coverage ratio (%)	**176.0**	262.8

Net stable funding ratio

The net stable funding ratio (NSFR) is a regulatory metric that measures the amount of stable funding available compared to the amount of stable funding required. From 1 January 2022, as part of the revised Capital Requirements Regulation (CRR II), it became a binding requirement that the NSFR must remain above the minimum level of 100%. The Group's NSFR remains above this required level, with a ratio of 134.3% as at 31 December 2024 (2023: 145.5%).

Asset encumbrance *(audited)*

A proportion of the Group's assets have the potential to be used as collateral to support central bank or other wholesale funding activities. Assets that have been committed for such purposes are classified as encumbered assets and cannot be used for other purposes. The Group has Board imposed limits setting out the percentage of assets that can be encumbered.

All other assets are defined as unencumbered assets. These comprise assets that are potentially available to be used as collateral ('available as collateral') and assets that, due to their nature, are not suitable to be used as collateral ('other').

The following tables and additional narrative set out the carrying amount of the Group's encumbered and unencumbered assets. The disclosure is designed to illustrate the availability of the Group's assets to support future funding and is not intended to identify assets that would be available in the event of a resolution or bankruptcy.

Principal risks: Market, liquidity and capital risk

	Encumbered assets		Unencumbered assets		
As at 31 December 2024	**Pledged as collateral £m**	**Other £m**	**Available as collateral £m**	**Other £m**	**Total £m**
Cash and balances at central banks	–	–	–	2,244.7	2,244.7
Loans and advances to banks	191.8	49.2	63.4	–	304.4
Loans and advances to customers	4,561.8	–	10,614.8	–	15,176.6
Investment securities	–	64.3	1,442.9	6.4	1,513.6
Derivative financial assets	–	–	–	227.1	227.1
Non-financial assets	–	–	29.8	226.5	256.3
Total assets	4,753.6	113.5	12,150.9	2,704.7	19,722.7

	Encumbered assets		Unencumbered assets		
As at 31 December 2023	Pledged as collateral £m	Other £m	Available as collateral £m	Other £m	Total £m
Cash and balances at central banks	–	39.9	–	2,148.2	2,188.1
Loans and advances to banks	303.4	139.3	38.0	–	480.7
Loans and advances to customers	4,292.5	–	8,986.8	–	13,279.3
Investment securities	79.3	25.0	713.5	4.3	822.1
Derivative financial assets	–	–	–	252.7	252.7
Non-financial assets	–	–	31.5	181.8	213.3
Total assets	4,675.2	204.2	9,769.8	2,587.0	17,236.2

Encumbered assets 'pledged as collateral' comprise:

Loans and advances to banks totalling £191.8 million (2023: £303.4 million), of which:
- £191.8 million (2023: £286.6 million) is pledged as collateral against derivative contracts.
- £nil million (2023: £16.8 million) is pledged as collateral against repurchase agreements.

Loans and advances to customers totalling £4,561.8 million (2023: £4,292.5 million), of which:
- £2,306.4 million (2023: £2,057.1 million) is positioned with the Bank of England for use as collateral against amounts drawn under the Bank of England's Sterling Monetary Framework facilities and the Term Funding Scheme with additional incentives for SMEs.
- £2,255.4 million (2023: £2,235.4 million) is pledged to securitisation programmes.

Investment securities totalling £nil million (2023: £79.3 million), of which:
- £nil million (2023: £79.3 million) is positioned with the Bank of England for use as collateral against amounts drawn under the Bank of England's Sterling Monetary Framework facilities and the Term Funding Scheme with additional incentives for SMEs.

'Other' encumbered assets (assets that cannot be used for secured funding for legal or other reasons) comprise:
- £nil million (2023: £39.9 million) as mandatory deposits with central banks abolished in 2024.
- £49.2 million (2023: £139.3 million) of securitisation cash, which represents cash balances of consolidated structured entities.
- £64.3 million (2023: £25.0 million) of investment securities, which represents restricted amounts invested in short-term money market funds by consolidated structured entities.

The above tables do not include collateral received by the Group that are not recognised on the statement of financial position, the vast majority of which the Group is permitted to repledge.

Principal risks: Market, liquidity and capital risk

Capital risk

This section specifically provides information about:

- Managing capital risk
- Regulatory requirements
- Regulatory developments
- Metrics used in assessing and monitoring capital risk

Managing capital risk *(audited)*

The Group's objective in managing capital risk is to maintain appropriate levels of capital to support the Group's business strategy and meet regulatory requirements. Capital risk is overseen by the ALCo, who monitor the capital position against the Capital Contingency Plan and Recovery Plan triggers and limits on a monthly basis. The ALCo also regularly review the forward-looking capital surplus in the context of its business plans and ensure that the Group has advance warning of any potential capital challenges. The Group's risk function regularly reviews emerging regulatory changes that may impact on the capital surplus and undertakes impact assessments.

The Group's approach to capital management is driven by strategic and organisational requirements, whilst also taking into account the regulatory and commercial environments in which it operates.

The principal objectives when managing capital are to:

- address the expectation of the Shareholder and optimise business activities to ensure return on capital targets are achieved though efficient capital management;
- ensure that sufficient risk capital is held. Risk capital caters for unexpected losses that may arise, protects the Shareholder and depositors and thereby supports the sustainability of the Group through the business cycle; and
- comply with capital supervisory requirements and related regulations.

The Group recognises the importance of allocating the correct risk-weighting to its assets. The Regulatory Reporting Committee has the oversight in respect of the application of risk-weighted assets rules, and ensuring the effectiveness of the regulatory reporting and the related policies.

The PRA supervises the Company on a consolidated basis, with capital requirements set for the Group as a whole and information on capital adequacy provided to the PRA at a consolidated Group level only. Shawbrook Bank Limited and its subsidiaries, The Mortgage Lender Limited, Bluestone Mortgages Limited, JBR Capital Limited are the only regulated subsidiaries within the Group. Shawbrook Bank Limited is supervised by the PRA and the FCA, whilst The Mortgage Lender Limited, Bluestone Mortgages Limited, and JBR Capital Limited are regulated by the FCA.

The PRA has also identified the Company to be a 'Financial Holding Company'.

Regulatory requirements

The Group applies the regulatory framework defined by the revised Capital Requirements Regulation (CRR II) and the Capital Requirements Directive (CRD V). Directive requirements are implemented in the UK by the PRA and supplemented through additional regulation under the PRA Rulebook.

The aim of the regulatory framework is to promote safety and soundness in the financial system. The regulatory framework categorises the capital and prudential requirements under three pillars:

- **Pillar 1:** defines the minimum capital requirements firms are required to hold for credit, market and operational risks.
- **Pillar 2:** builds on Pillar 1 and incorporates the Group's own assessment of additional capital required to cover specific risks that are not covered by the minimum regulatory capital requirement set out under Pillar 1. Under Pillar 2, the Group completes an annual self-assessment of these risks as part of its ICAAP. The ICAAP is reviewed by the PRA every three years (or earlier if required) and culminates in the PRA setting a firm-specific requirement of the level of capital required to be held, known as the 'Total Capital Requirement'.
- **Pillar 3:** requires the Group to publish a set of disclosures that allow market participants to assess information on the Group's capital, risk exposures and risk assessment process. The Group's Pillar 3 Disclosures can be found on the Group's website **shawbrook.co.uk/investors/**

Minimum requirements set out by the regulatory framework are summarised in the following table. The minimum capital requirements increased between reporting periods following the outcome of the Capital Supervisory Review and Evaluation Process (C-SREP).

	2024		2023	
Minimum capital requirements	**CET1**	**Total capital**	CET1	Total capital
Pillar 1	**4.50%**	**8.00%**	4.50%	8.00%
Pillar 2A	**0.70%**	**1.24%**	0.60%	1.07%
Total Capital Requirement	**5.20%**	**9.24%**	5.10%	9.07%
Regulatory capital buffers				
Capital conservation buffer	**2.50%**	**2.50%**	2.50%	2.50%
Countercyclical capital buffer	**2.00%**	**2.00%**	2.00%	2.00%
Overall Capital Requirement	**9.70%**	**13.74%**	9.60%	13.57%

Additional systemic buffers provided for by CRD V do not apply to the Group.

The regulatory minimum for the UK leverage ratio also remains unchanged compared to 31 December 2023 at 3.25%. Whilst the Group is not required to comply with the PRA's UK Leverage Ratio Framework until its retail deposits exceed the £50 billion threshold, the PRA has stated its expectation that all UK firms should manage their leverage risk so that the ratio does not ordinarily fall below 3.25%. Consequently, the Group treats 3.25% as its minimum requirement.

The Group (including its regulated subsidiaries) maintains an adequate capital base and has complied with all externally imposed capital requirements. The Total Capital Requirement set by the PRA has been met at all times and capital adequacy and leverage ratios are well in excess of the minimum regulatory requirements.

Principal risks: Market, liquidity and capital risk

Regulatory developments

During the year ended 31 December 2024, the following regulatory changes came into effect:

- PS15/23 on "The Strong and Simple Framework" was published by the PRA in December 2023 and came into effect in 2024. The policy statement defined a new name, Small Domestic Deposit Taker (SDDT), for firms which in previous regulatory publications were referred to as strong and simple. The policy statement also set out the Interim Capital Requirements (ICR) regime. Banks that do not wish to access the SDDT framework or the ICR would transition into Basel 3.1 from 1st January 2027. Banks who wish to transition to SDDT and/or ICR will need to make a modification request to the PRA. The Group has opted to transition into Basel 3.1. The policy statement also confirmed Remuneration disclosure requirements.

Future regulatory changes that are relevant to the Group are as follows:

- In January 2025, the PRA announced a delay to the implementation of Basel 3.1 in the UK by one year until 1 January 2027 to allow more time for greater clarity to emerge about plans for its implementation in the US.

Prior to this announcement, the following regulatory changes were identified:

- In September 2024, the PRA announced that it was moving the implementation date for Basel 3.1 to 1 January 2026 and was reducing the transition period to 4 years to ensure full implementation by 1 January 2030, in line with the proposals set out in Consultation Paper CP16/22. The PRA Policy Statement PS17/23 "Implementation of the Basel 3.1 standards near-final part 1" was published in December 2023. The policy statement defines near-final rules in relation to the market risk, credit valuation adjustments, counterparty risk and operational risk elements of the Basel 3.1, together with information on the planned review of the Pillar 2 framework. The PRA Policy Statement PS 9/24 "Implementation of the Basel 3.1 standards near-final part 2" was published in September 2024. The policy statement defines near-final rules on credit risk, the output floor and reporting and disclosure requirements.

Metrics used in assessing and monitoring capital risk

Certain disclosures relating to the Group's capital position are shown on the following pages. The disclosures present the consolidated capital position for the Group, as reported to the PRA. Disclosures for the Group's regulated subsidiaries (Shawbrook Bank Limited and its subsidiaries, The Mortgage Lender Limited, Bluestone Mortgages Limited, and JBR Capital Limited) are not separately disclosed and can be found in Shawbrook Bank Limited's own Annual Report and Accounts, which is available on the Group's website at: **shawbrook.co.uk/investors/**

Disclosures are presented on a CRD V basis after applying IFRS 9 transitional arrangements[1].
A comparison of the reported capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis) is provided on page 143.

Regulatory capital *(audited)*

Composition of the Group's regulatory capital as at 31 December is as follows:

	2024 £m	2023 £m
Share capital	**2.5**	2.5
Share premium	**87.3**	87.3
Capital contribution reserve	**19.9**	19.9
Retained earnings	**1,307.2**	1,101.7
Intangible assets	**(124.0)**	(107.2)
Transitional adjustment for IFRS 9	**10.4**	17.5
Prudent valuation adjustment	**(3.6)**	(3.0)
Securitisation position which alternatively be subject to 1,250.0% risk weight	**(6.6)**	–
Common Equity Tier 1 capital	**1,293.1**	1,118.7
Capital securities	**123.1**	123.1
Additional Tier 1 capital	**123.1**	123.1
Total Tier 1 capital	**1,416.2**	1,241.8
Subordinated debt liability[2]	**163.6**	183.1
Tier 2 capital	**163.6**	183.1
Total regulatory capital	**1,579.8**	1,424.9

1 The Group applies the transitional approach when recognising the impact of adopting IFRS 9 'Financial Instruments'. This allows the Group to phase in the full impact of IFRS 9 adoption by adding back a proportion of the impact during the first five years of implementation in accordance with specific rules and transitional factors as published in Regulation (EU) 2017/2395. From 1 January 2023, the initial five-year phasing in period is complete and the Group may no longer add back a proportion of the impact of adopting IFRS 9. However, in response to the COVID-19 pandemic, for non-credit impaired ECLs raised from 1 January 2020 the transitional arrangements were revised, as set out in the CRR 'Quick Fix'. For such loans, the revised add-back percentage for 2024 is 25% (2023: 50%).

2 For the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments of £7.5 million are excluded (2023: £5.4 million).

Principal risks: Market, liquidity and capital risk

Regulatory capital *(unaudited)*

The Group's total regulatory capital reconciles to the Group's total equity per the statement of financial position as follows:

	2024 £m	2023 £m
Total regulatory capital	**1,579.8**	1,424.9
Subordinated debt liability[1]	**(163.6)**	(183.1)
Intangible assets	**124.0**	107.2
Transitional adjustment for IFRS 9	**(10.4)**	(17.5)
Prudent valuation adjustment	**3.6**	3.0
Securitisation position which alternatively be subject to 1,250.0% risk weight	**6.6**	–
Cash flow hedging reserve	**12.7**	4.5
Fair value through other comprehensive income reserve	**29.6**	(0.3)
Total equity	**1,582.3**	1,338.7

Movement in the Group's total regulatory capital during the year is as follows:

	2024 £m	2023 £m
Total regulatory capital as at 1 January	**1,424.9**	1,165.0
Movement in Common Equity Tier 1 capital		
Increase in capital contribution reserve	**–**	14.3
Increase/(decrease) in retained earnings:		
Profit for the year	**219.9**	212.1
Share-based payments	**0.7**	0.7
Coupon paid on capital securities	**(15.1)**	(16.9)
Increase in intangible assets	**(16.8)**	(30.8)
Decrease in transitional adjustment for IFRS 9	**(7.1)**	(7.0)
Decrease in prudent valuation adjustment	**(0.6)**	(1.7)
Decrease in securitisation position which alternatively be subject to 1,250.0% risk	**(6.6)**	
Total movement in Common Equity Tier 1 capital	**174.4**	170.7
Movement in Additional Tier 1 capital		
Increase in capital securities	**–**	0.2
Total movement in Additional Tier 1 capital	**–**	0.2
Movement in Tier 2 capital		
Issue of subordinated debt	**–**	90.0
Redemption of subordinated debt	**(20.0)**	–
Other movements in subordinated debt	**0.5**	(1.0)
Total movement in Tier 2 capital	**(19.5)**	89.0
Total regulatory capital as at 31 December	**1,579.8**	1,424.9

1 For the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments of £7.5 million are excluded (2023: £5.4 million).

Principal risks: Market, liquidity and capital risk

Risk-weighted assets

The following table sets out the risk-weighted assets for the Group. The Group applies the standardised approach to measure credit risk, counterparty credit risk and securitisation exposures and the basic indicator approach to measure operational risk.

	2024 £m	2023 £m
Credit risk		
Real Estate	3,155.4	2,912.6
SME	3,178.4	2,859.7
Consumer Finance	655.6	445.5
Retail Mortgage Brands	1,661.5	1,427.1
Other	268.5	291.8
Total credit risk	8,919.4	7,936.7
Counterparty credit risk: credit valuation adjustment	4.2	2.7
Securitisation exposures in the banking book	117.3	46.2
Operational risk	905.7	715.7
Total risk-weighted assets	9,946.6	8,701.3

Capital ratios

	2024 %	2023 %
Common Equity Tier 1 capital ratio	13.0	12.9
Total Tier 1 capital ratio	14.2	14.3
Total capital ratio	15.9	16.4

Leverage ratio

	2024 £m	2023 £m
Total Tier 1 capital	1,416.2	1,241.8
Exposure measure		
Total statutory assets	19,722.7	17,236.2
Regulatory adjustments to statutory assets	(402.6)	(435.9)
Central bank claims	(2,244.7)	(2,188.1)
Off-balance sheet items	396.0	403.6
Exposure value for derivatives	126.7	161.6
Securities financial transactions	18.4	65.4
Transitional adjustment for IFRS 9	10.4	17.5
Regulatory deductions	(146.9)	(114.6)
Total exposures	17,480.0	15,145.7
UK Leverage ratio (%)	8.1%	8.2%

Principal risks: Market, liquidity and capital risk

IFRS 9 transitional arrangements impact analysis

As detailed on page 140, the Group has elected to use a transitional approach when recognising the impact of adopting IFRS 9. To illustrate the impact of using this transitional approach, the following table provides a comparison of the Group's reported capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis).

	2024		2023	
	Including transitional adjustments	**Transitional adjustments not applied**	Including transitional adjustments	Transitional adjustments not applied
Capital resources				
Common Equity Tier 1 capital (£m)	**1,293.1**	**1,282.7**	1,118.7	1,101.2
Total Tier 1 capital (£m)	**1,416.2**	**1,405.8**	1,241.8	1,224.3
Total regulatory capital (£m)	**1,579.8**	**1,569.4**	1,424.9	1,407.4
Risk-weighted assets				
Total risk-weighted assets (£m)	**9,946.6**	**9,937.3**	8,701.3	8,686.1
Capital ratios				
Common Equity Tier 1 capital ratio (%)	**13.0**	**12.9**	12.9	12.7
Total Tier 1 Capital Ratio (%)	**14.2**	**14.2**	14.3	14.1
Total capital ratio (%)	**15.9**	**15.8**	16.4	16.2
Leverage				
UK Leverage ratio (%)	**8.1**	**8.1**	8.2	8.1

Principal risks: Operational risk and resilience

Managing operational risk and resilience

The Group manages operational risk across eight level 2 risk categories, with the Risk Committee receiving regular reports across the spectrum of these operational risks. These reports present the operational risk profile, including incidents that have arisen and the movement of key indicators. This allows the Risk Committee to assess the Group's risk response and proposed remedial actions, including oversight of change projects.

The risk and control self-assessment process is utilised by the Group as a key risk management tool for non-financial risks, including operational risk. This exercise is owned and completed by each customer franchise and function and takes into consideration control effectiveness and residual risk score across the Group's non-financial risks.

The risk and control self-assessments are maintained in conjunction with the Group's operational risk team who provide challenge and oversight. Risk and control self-assessments are aligned to top risk profile reporting. To enable effective risk management, the Group focuses on identifying, monitoring and managing operational risk events in each business area, driving appropriate actions, and where needed re-engineering processes and controls to minimise recurrence.

All business areas have business continuity and resilience plans in place, supported by business impact assessments, with enhanced controls and documentation in place for important business services. The Group has an Incident Management Framework in place that continues to identify and respond to operational disruption incidents to help maintain service continuity and prevent impact tolerance breaches. In addition, the Group uses external disaster recovery sites as back-up locations for IT servers.

Developments during the year

During 2024, the Group continued to invest in its operational risk framework, with the continued embedding of the Governance, Risk and Compliance (GRC) tool launched in 2023. The tool has been rolled out across all three lines and is used to record issues, risks and controls across all customer franchises and functions. Data and insights from the tool are used to inform the Operational Risk and Third Party Oversight Committee of significant risks, events, control issues or themes impacting business areas.

Throughout 2024, the Group has delivered its operational resiliency roadmap and enhanced scenario testing to meet the regulatory compliance. The Risk Committee approved the fourth annual operational resilience self-assessment in January 2025 ahead of the March 2025 milestone. Scenario testing was enhanced to include more live environment technology and important business service testing, providing assurance in the strength of resilience controls. The Risk Committee noted regular management updates on risk events and incidents through the year and management proposals to improve resiliency.

A key focus area for 2024 was the documentation and testing of controls across customer franchises and functions. IT change was also a key focus for 2024, including increased oversight of non-delivery risks related to material projects and enhancements to change delivery processes and governance.

Principal risks: Technology and cyber risk

Managing technology and cyber risk

Customer expectations for service availability continue to rise with the rapid pace of new technologies, leading to a significantly lower tolerance for service disruption. The Group recognises that, in order to continue to be recognised for offering very high levels of customer satisfaction, it needs to continually monitor systems risk and ensure that change is delivered with minimum disruption to customers. The Group has continued to invest in its digital capability to improve customer experience, investing in hybrid multi cloud technologies to increase the scale, stability and resilience of its systems.

In 2024 the Group implemented a Third-Party Continuous Security Monitoring solution in order to mitigate the risks presented by key suppliers, particularly those that are responsible for managing the Group's data.

The technology, data and cyber security controls were aligned to the Group's new risk and control taxonomies which has enabled more effective, data-driven risk and control assessments.

Developments during the year

During 2024, the Group continued to transition customers to the new digital savings experience with 260,000 customers now live on the platform. All customer, business and operational indicators have reported normally. The cut over of all savings customers will complete during Q1 2025. The solution for the regulatory requirement to deliver Confirmation of Payee went live in October 2024 for both retail and business savings customers prior to the deadline and is operating as expected.

The Group has ensured that internal audit reviews are regularly conducted and, in 2024, this covered reviews on cyber security design adequacy, IT change review, internal controls framework and Digital savings resilience. All historic internal audit items were closed in the period and open audit observations are progressing in line with agreed timescales.

Technology and data remain a core competency for the Group, with strong capabilities and foundations already in place. The Group continued to progress its hybrid multi cloud strategy, supported by investment in server and storage refreshes in the on premise data centres, enabling flexibility and agility on hosting decisions.

The Group continued to perform annual penetration testing ensuring that any internal or external issues were remediated, and project specific penetration testing linked to the go live of new systems (or major code/version/infrastructure changes) were conducted during 2024.

The embedding of the Group's software application security testing matured during 2024, particularly in terms of management information and oversight. Automated deployment pipelines have been configured to have an automated security scan stage which enforces compliance with policy. During 2024 this was deployed across all pipelines to support faster and more secure code releases.

Principal risks: Strategic risk

Managing strategic risk

Strategic risk focuses on large, long-term risks that could become a material issue for the delivery of the Group's goals and objectives. Management of strategic risk is primarily the responsibility of the Group's senior management team. The management of strategic risk is intrinsically linked to the corporate planning and stress testing processes and is further supported by the regular provision of consolidated business performance and risk reporting to the Executive Committee and the Board. Strategic risk also includes the Group's progress on equality, diversity and inclusion.

Developments during the year

During 2024, the Group established regular portfolio reviews, with a focus on what could go wrong in order to identify whether any changes in risk appetite were appropriate. This was supported by the implementation of further early warning indicators to identify potential problem loans and to support key areas of operational readiness such as arrears and non-performing loans.

The Group implemented a risk distribution capability to support existing customers as they grow and signed-up to the Enable Guarantee programme to support Development Finance customers. The Group also implemented a new portfolio management model to support Real Estate customers with lending in excess of £2.5 million.

The Group made further progress on its Real Estate and Retail Mortgage Brands emission intensity and further progress towards its sustainable finance commitment of £1.2 billion of originations by 2025. In addition, the Group signed an agreement with Experian to start to collect operating location data for its SMEs to support a quantitative assessment of physical and transition risk and to support disclosures of SME lending emissions. The Group also signed an agreement to receive an updated climate base case to support more realistic alternative climate scenarios at a more detailed level than before.

The Group announced an extension of its partnership with Saracens for another five years, which will result in Shawbrook becoming official banking partners for all three elite teams for the next five years and continue to deliver a positive impact across women's sport, equality and inclusion.

During the year, the Board received and approved a number of reports, including the strategy update. It has also actively engaged in the compilation of the Group's risk appetite, ICAAP, ILAAP, Recovery Plan and Resolution Pack, which are critical tools to managing strategic risk.

Principal risks: Transformation risk

Managing transformation risk

Transformation risk management focuses on risks that could become material issues during the execution of technology or platform changes being implemented for organisational, regulatory or strategic purposes. Management of transformation risk is primarily the responsibility of the Group's senior management team.

The management of transformation risk is closely linked to corporate planning processes and is further supported by the regular provision of consolidated business performance and risk reporting to the Executive Committee, the Board and material IT projects to the PRA.

Developments during the year

During 2024, there has been a strong focus on improving the standardisation and robustness of digital transformation governance and risk management within the Group via changes to the Change Delivery Framework. Responsibility for digital transformation risk has been consolidated into a single delivery function in the chief technology office providing clear accountability for risk management and facilitating a consistent and standardised approach to the delivery of transformation initiatives. The delivery efforts are closely supported by the technology teams in the chief technology office (SMF 24).

Working in close collaboration with second line risk, the Delivery function has made significant progress in evolving the Group's change delivery framework. These developments have enhanced effective transformation risk management through the implementation of a standardised change steering model and the development of extensive change framework standards to ensure that individuals engaged in transformation activities across the Group are operating consistently, with risk management principles deeply embedded into standardised processes.

Group Risk Appetite reporting for transformation risk has been augmented with enhanced, portfolio-wide status reporting for the Executive Committee and Board covering material IT projects, ensuring robust oversight of strategically important transformation initiatives.

In addition to the above, it is worth noting that 2024 was another very successful year of delivery execution, with over 150 items of change of various sizes being successfully delivered into production. This is across digital products, projects, infrastructure and platform related changes Group-wide.

Principal risks: Conduct risk

Managing conduct risk

The Group continually reviews its risk management approach to reflect the regulatory and legal environment in which it operates. The Group acts to deliver good outcomes for customers and is committed to acting in good faith for our customers, avoiding causing them foreseeable harm and enabling them to pursue their financial objectives.

Developments during the year

The Group further embedded the conduct risk framework and aligned it to the Consumer Duty principles. This included the development of and enhanced conduct risk and control framework, aligned to the stages of the customer lifecycle, and a new suite of Customer Outcome definitions which have been rolled out to our Outcomes Testing and Quality Assurance teams.

The Group is aware of the potential impacts that increased cost of living pressures may have upon its customers. In response, the Group continues to prioritise the management of conduct risks. This includes the review of our forbearance measures suite to support customers in financial difficulty, such as automatic interest suppression to prevent the customer's balance from escalating. We have also sought to improve our lending journeys to prevent customers becoming the victims of fraud, through the introduction of Open Banking where appropriate to do so in our sales and onboarding processes.

Ongoing monitoring of compliance with the Consumer Duty continues to be monitored through reports to Board, an updated risk appetite report, a customer experience dashboard, second and third-line assurance activities and part of the existing annual RMF attestation each year.

Further details on conduct matters the Group is involved in are provided in Note 48 of the Financial Statements.

Principal risks: Compliance and regulatory risk

Managing compliance and regulatory risk

The Group continually reviews its risk management approach to reflect the regulatory and legal environment in which it operates. The Group has no appetite for behaving inappropriately resulting in unfair outcomes for its customers or reputation through non-compliance with regulation or standards of good practice. The Group has implemented safeguards and controls to prevent the misuse of its personal data which may constitute a breach of data privacy regulations. The Group continually reviews its data privacy framework to ensure it complies with any evolving regulatory and or legislative changes.

Developments during the year

A new regulatory horizon scanning tool was rolled out in 2024 to enable more efficient tracking of regulatory change and provide the Group with management information including an up to date schedule of regulatory changes and a tracking implementation activities across the Group.

A 'Speak Up' policy is now fully embedded. This enhances the Group's Whistleblowing Framework, encouraging employees to raise concern where they identify or observe behaviours that are inconsistent with the Group's values and ways of working.

The Group completed a c.£391 million securitisation of first charge owner-occupied mortgages originated through BML. In addition, the Group has retained a number of securitisations on balance sheet that have been used to support useable collateral for liquidity. The Group has updated risk appetite measures to ensure that large exposure thresholds are maintained at all times.

The final set of rules in relation to Basel 3.1 were published in September 2024 with the PRA revising the implementation date in January 2025 to 1 January 2027. The Group has initiated a programme to manage implementation of the changes required to ensure compliance with the rules as well as any data requests required by the PRA.

The Data Protection function was strengthened this year through the appointment of a new Group Data Protection Officer and Deputy Data Protection Officer with responsibility for aligning data privacy policies, standards, and processes across the whole Group (including its subsidiaries). This will help the Group to better manage data privacy risk in a consistent manner.

Enhancements have been made to a number of data protection-related processes, including records of processing activities, data protection impact assessments, subject access and information rights requests. A comprehensive data privacy policy review has been undertaken and new management information tools have been developed to give a clearer view of key data protection-related activity at a given point in time. The Data Protection Working Group, bringing together key stakeholders from across the Group, met throughout 2024 and the Group will look to further enhance this Working Group's effectiveness through 2025.

Key focus areas for 2025 will include the development of an automated solution to assist with the process of deleting personal data at the end of the applicable retention period and further refining the operating model to bring together all data privacy expertise and resource from across the Group into one central Group Data Protection Office.

Principal risks: Climate risk

Managing climate risk	Developments during the year
The risks associated with climate change are subject to rapidly increasing societal, regulatory, and political focus. In line with regulatory requirements, the Group has embedded climate risk as a principal risk in the RMF to address the risks associated with physical risk and the risk from the transition to a low-carbon economy.	The Group has continued to invest in its climate data capability, transitioning to a more frequent assessment of its physical and transitional risk profile. This analysis has confirmed the ongoing improvement in EPC profile and a reduction in lending emissions for the residential and commercial investment portfolios. However, the way in which UK energy was created during 2023 was more carbon intensive, leading to only a modest reduction in relative lending emissions overall. The dependency on wider policy actions is clear and will influence lending emissions targets in the medium-term. The Group has started its engagement with its SME customers on their Sustainability strategy with early findings designed to tailor further support and insights during 2024. The Group has engaged with an additional third party to establish baseline lending emissions numbers for its Commercial SME portfolio and to further increase its coverage over in-scope portfolios. Since October 2023, climate risk became one of the ten principal risks within the Group's RMF. In 2024 the Group has originated £357.5 million of lending to properties with an A or B EPC rating or equivalent, against its target of £1.2 billion of sustainable financing by 2025.

Principal risks: Financial crime risk

Managing financial crime risk	Developments during the year
The Group operates in a highly regulated market and has proportionate procedures in place to mitigate the risk of the Group's services being used to facilitate financial crime. The Group continues to monitor the increasing complexity of financial crime threats and any changes to the legislative and regulatory framework to manage any emerging risks.	The Group continued to embed its financial crime system during 2024 and plans to roll this out further across the Group in 2025. A review of the JBR portfolio using our financial crime system has already taken place. Key employees continued to receive focused training in 2024, and internal fraud training was also rolled out. Group-wide training is provided to all employees and completion rates are monitored throughout the year

Principal risks: Model risk

Managing model risk

Model risk is the risk of an adverse outcome as a direct result of weaknesses or failures in the development, implementation or use of a model. There is an inherent risk associated with models because, by their very nature, they are imperfect and incomplete representations that rely on assumptions and theoretical methodologies and use historic data which may not represent future outcomes.

Models are relied on to support a broad range of business and risk management activities across the Group including credit approval process, ECLs, stress testing, financial planning, pricing strategies, Asset and Liability Management, measurement of fair value for loans at FVOCI, estimation of Timeshare provision and climate change. Model errors can arise when models are implemented incorrectly or misused, for instance when applied to uses that they were not designed for, or where there is a failure to update key assumptions when required.

Model risk remains heightened due to inflationary and cost of living pressures, interest rate rises and market volatility experienced in recent years.

Developments during the year

The PRA published its Supervisory Statement SS1/23 'Model risk management principles for banks' in May 2023 with effect from May 2024. Although the principles do not apply to firms without an IRB permission, the Group has decided to implement a number of the recommendations as they are considered best practice. The Board has supported the implementation plans with the appointment of the Senior Independent Non-Executive Director as model risk champion, with a focus on data and model risk culture.

Model risk became one of the Group's ten principal risks in October 2023. Responsibility for model risk is delegated from the ExRC and the Chief Risk Officer (SMF for model risk) and oversight is provided by a Model Risk Oversight Committee.

The Group has digitally enabled its model inventory to support the implementation of SS1/23 and has updated its model risk policies and standards to reflect the emergence of AI and machine learning. The policies and framework have also been updated to reflect Dear CFO letters on Model Risk and post model adjustments. The Group has leveraged its cloud native analytical environment using SAS Viya to support enhanced visualisation and support the implementation of machine learning applications that are currently in monitoring phase prior to a decision to go live for portfolio management.

Economic uncertainty may lead to some models operating outside of their development boundaries and the Group continues to monitor and consider potential actions on calibration or post model adjustments.

ICAAP, ILAAP and stress testing

The ICAAP, ILAAP and associated stress testing exercises represent important elements of the Group's ongoing risk management processes. The results of the risk assessment contained in these documents are embedded in the strategic planning process and risk appetite to ensure that sufficient capital and liquidity are available to support the Group's growth plans, as well as cover its regulatory requirements at all times and under varying circumstances.

The ICAAP and ILAAP are reviewed at least annually, and more often in the event of a material change in the Group's business, its capital or liquidity. Ongoing stress testing and scenario analysis outputs are used to inform the formal assessments and determination of required buffers, the strategy and planning for capital and liquidity management, as well as the setting of risk appetite limits.

The Board, Risk Committee, ExRC and ALCo have engaged in a number of exercises that have considered and developed stress test scenarios. The analysis enables the Group to evaluate its capital and funding resilience in the face of severe but plausible risk shocks. In addition to the Annual Cyclical Scenario prescribed by the PRA, the stress tests have included a range of market-wide and idiosyncratic stress tests, as well as operational risk scenario analyses. Stress testing is an integral part of the adequacy assessment processes for liquidity and capital, and the setting of tolerances under the annual review of the Group risk appetite.

The Group also performed reverse stress tests to help assess the full continuum of adverse impacts and, therefore, the level of stress at which the Group would breach its individual capital and liquidity guidance requirements as set by the PRA under the ICAAP and ILAAP processes.

Recovery Plan and Resolution Pack

The Group has prepared a Recovery Plan and Resolution Pack in accordance with PRA Supervisory Statements SS9/17 'Recovery planning' and SS19/13 'Resolution planning'. These documents represent the Group's 'Living Will' and examine in detail:

- the consequences of severe levels of stress (i.e. beyond those in the ICAAP) impacting the Group at a future date;
- the state of preparedness and contingency plan to respond to and manage such a set of circumstances; and
- the options available to the Group to withstand and recover from such an environment.

The Recovery Plan and Resolution Pack is updated annually and was last approved by the Board in July 2024. The Recovery Plan or Resolution Pack can be updated more frequently in the event of a material change in the Group's status, capital or liquidity position. The Recovery Plan triggers are updated annually as part of the risk appetite update. The Board is fully engaged in considering the scenarios and options available for remedial actions to be undertaken.

The Board considers that the Group's business model, its supportive owners and the diversified nature of its business markets, provide it with the flexibility to consider selective business or portfolio disposals, credit appetite tightening, loan book run-off, equity raising, or a combination of these actions. The Group would invoke the Recovery Plan in the event that it is required.

Group viability statement

The Directors have assessed the outlook for the Group over a longer period than the 12 months required by the going concern statement that is set out in provision 31 of the UK Corporate Governance Code.

The Board considers a three-year period to be an appropriate length of time for the viability assessment. A period of three years is applied because it mirrors the period covered by the Group's strategic planning cycle. The strategic planning cycle is used to generate the Group's strategic plan, which is reviewed, approved and monitored by the Board. The three year period is further supported by the annual ICAAP process, which models capital requirements over this period.

In assessing viability, the Board has considered the following:

- updates to the business plans at various times during the year to assess current business performance and the impact of any emerging risks as identified through the Group's established RMF;
- the Group's current and forecast liquidity and funding plans supporting the strategic objectives;
- the top and emerging risks, including the overall control environment, for the Group as part of the regular and ongoing reporting to the Board. This included regular reviews on operational resiliency and an update on financial crime;
- the strategy and updated five-year plan, which were approved in December 2024. This included the business plans and financial projections from 31 December 2024 to 31 December 2029. The plan included various scenarios stressing the business performance, which demonstrated that the Group continued to operate within regulatory requirements for both capital and liquidity over the period;
- the quantity and quality of capital resources available to support the delivery of the Group's objectives. This included consideration of the effects of a changing regulatory landscape on the Total Capital Requirement, Pillar 2B and the CRD V combined buffer requirements, together with the effect of the Group's Recovery Plan to restore the capital position in scenarios of capital headwinds;
- the implications of implementing the minimum requirement for own funds and eligible liabilities in the event that the Group triggers the threshold and the impact on capital from implementing Basel 3.1; and
- the annual ICAAP and ILAAP, which were approved in April 2024 and December 2024, respectively.

In addition, the Board considered the outcomes of stress testing performed by the Group. As part of the ICAAP, the Group performed a variety of stress tests and reverse stress tests, which were derived after considering the Group's top and emerging risks, and were presented to the ExRC and the Board. The Group also considered its funding and liquidity adequacy in the context of the stress testing and reverse stress tests. The stress tests performed enable the Board to assess the impact of a number of severe but plausible scenarios on its business model. In the case of reverse stress testing, the Board is able to assess scenarios and circumstances that would render its business model unviable, thereby identifying business vulnerabilities and ensuring the development of early warning indicators and potential mitigating actions.

As part of such stress testing, key ongoing risks were considered including:

- economic uncertainty arising from the ongoing increases to cost of living impacting interest rates, inflation and the wider UK economy;
- the risks attached to a rapid increase or decrease in interest rates in response to a macroeconomic shock resulting in a capital stress through increased credit risk losses, increased capital requirements following asset price reductions, and net interest margin compression;
- scenarios which might affect the operational resilience of the Group;
- the availability of sufficient liquidity in the event of a market-wide or idiosyncratic stress;
- legal, regulatory and conduct-related matters that could result in penalties, fines, damages, loss of licenses or permissions, and other sanctions. These issues may also harm our reputation with clients and customers, weaken investor confidence, and negatively impact capital, liquidity, and funding; and
- financial risks arising from the physical and transitional impacts of climate change on the Group's business.

The Board believes these risks were captured within the stress testing scenarios used, and considers that the circumstances required to cause the Group to fail, as demonstrated by its stress testing procedures, are sufficiently remote.

Following due consideration of the areas outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a period of at least three years.

Climate Report

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This Climate Report sets out our approach to tackling climate change and the progress we have made in 2024 in delivering our strategy.

This report has been prepared in order to comply with the amendments made to the Companies Act 2006 requirements by The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. The report is also consistent with the TCFD 2017 recommendations and the 2021 Annex[1] across all four TCFD pillars.

Strategy

Achieving net zero demands a collective global effort and depends on a combination of factors including government policies, grid decarbonisation, supply chain transformation and shifts in consumer behaviour. We have adopted a proportionate approach and focused our actions and short-term targets on areas that we have greater influence over. We also plan to continue to collaborate with others to help address challenges, such as data availability and quality, to help to meet the goals of the Paris Agreement.

To support our climate goals, during 2024 we evolved our transition plans, utilising the Transition Plan Taskforce framework. Our plans cover our Group Property Lending Portfolios[1], SME portfolios and our own operations. High-level summaries of our transition plans are provided on page 157. Following the acquisition of JBR in 2024, we intend to develop our transition plan for motor finance during 2025. Other areas of our book, such as unsecured personal loans and savings within our Retail franchise, will remain out of scope of our transition plans due the nature of these products and our proportionate approach to climate risk.



"Addressing the climate challenge continues to form a fundamental part of our sustainability strategy. We continue to adopt a proportionate approach to climate change and have made further progress towards delivery of our goals during the year. From monitoring the Group's progress against key metrics and targets to financing our customers' transition, the Board continues to actively oversee the Group's climate strategy."

John Callender
Chairman

1 See page 169 for further information on how we segment our Property Lending Portfolios.
2 The 2021 TCFD Annex provides both general and sector-specific guidance on implementing the Task Force's disclosure recommendations. Updates reflect the evolution of disclosure practices, approaches and user needs.

Our strategy encompasses three core pillars as follows:

T Target M Metric

1 Support the climate transition

- Sustainable finance lending
- Energy efficient mortgages and retrofit proposition
- Engagement with customers, partnerships and collaboration with industry bodies

Our 2025 focus

- Utilise and expand existing product offerings to facilitate EPC C+ acquisitions, retentions, and property improvements.
- Engage with customers to help them understand their climate impact.

Metrics and targets

Sustainable finance

T £1.2 billion of originations by the end of 2025[1]

% EPC C+ rated properties

M Annual disclosure for owner-occupied and buy-to-let portfolio

What we achieved in 2024

✓ Supported customers with their climate transition through new and existing propositions, resulting in improvements to our EPC mix across our owner-occupied and buy-to-let portfolios. For example, the launch of a TML proposition offering increased loan-to-value mortgages for EPC C+ homes at completion.

✓ Originated over £640 million of sustainable finance during 2024, achieving over 90% of our £1.2 billion sustainable finance commitment.[2]

✓ Improved the EPC mix across our owner-occupied and buy-to-let portfolios, with EPC C+ rated properties comprising 47% and 45% of the respective portfolios at the end of 2024.

2 Reduce our environmental impact

- Reduce financed emissions
- Reduce operational emissions

Our 2025 focus

- Continue to improve data quality and coverage of financed emissions calculations.
- Reduce own operational emissions through climate objectives and considerations built into sourcing and procurement process.

Metrics and targets

T **Net zero by 2050[3]**

Carbon neutral

T Maintain for own operations[4]

Net zero aligned suppliers

T At least half by the end of 2025[5]

Net zero by 2035[4]

T For own operations

What we achieved in 2024

✓ Continued to reduce the emissions intensity for our Group Property Portfolios against our 2021 baseline, driven by improvements in our overall EPC mix.

✓ For our operational emissions, continued to see reductions in our Scope 1 (gas) and Scope 2 (electricity) emissions due to improvements in the quality and coverage of data and the transition to renewable energy contracts for our sites.

✓ 51% of our top suppliers are net zero aligned.

✓ Achieved carbon neutrality.[4]

3 Embed environmental considerations into our corporate DNA

- Climate considerations embedded into lending, strategic and financial decisions
- Colleagues, Management and Board engaged on climate through awareness and training

Our 2025 focus

- Develop climate-related communications and engagement plan.
- Provide ongoing climate and net zero training.
- Further enhance due diligence guidance for our identified sensitive sectors.

Metrics and targets

Executive remuneration

M Tracking climate strategy progress in the bonus scorecard design

Climate risk

M Annual disclosure on how we embed climate risk in the Group

What we achieved in 2024

✓ Evolved our climate transition plans utilising the Transition Plan Taskforce framework.

✓ Evolved our lending appetite related to the power and energy sector.

✓ Continued to enhance and embed climate governance with positive engagement from stakeholders across the Group.

1 For the period 1 January 2023 to 31 December 2025. Lending that aligns to the environmental criteria within our Sustainable Finance Framework. This has been developed using best practice and industry guidance.

2 We originated £475 million in 2023 bringing our total sustainable finance origination to over £1.1 billion for the period from 1 January 2023 to 31 December 2024.

3 Covers Scope 1 and Scope 2, Scope 3 category 3 fuel-and-energy related activities, category 5: waste, category 6: business travel, category 7: employee commuting and category 15: financed emissions for the Group's Property Lending Portfolios (as defined on page 169) and SME portfolios. This excludes Scope 3 category 1: purchased goods and services.

4 Covers Scope 1 and Scope 2 emissions using location-based methodology. Excludes all relevant Scope 3 emissions.

5 Number of suppliers, with annual spend of over £200,000, that either have a net zero target for their own operations or have aligned to the Science Based Targets initiative (SBTi) approach for net zero.

Our high-level transition plans are as follows:

Group Property Lending Portfolios transition plan

- Improve EPC mix across our portfolios by facilitating EPC C+ acquisitions, retention and property improvements.
- Leverage our lending product range and expand current offering to provide financing solutions for the net zero transition.
- Reduce emissions intensity across our Property Lending Portfolios to achieve net zero financed emissions by 2050.
- Develop engagement strategies, including through partnerships, to support customers with their energy efficient home improvements.
- Collaborate with industry bodies and partners to raise customer awareness and collectively advocate for energy efficiency improvements in the built environment.

Progress update

- In 2024, we continued to finance higher EPC-rated properties. We achieved this through existing product offerings like discounted fees for EPC C+ rated properties and new product offerings such as launch of a TML proposition offering higher loan-to-value mortgages for EPC C+ homes at completion.
- Launched a Switch and Fix option for our Real Estate customers in early 2025, helping us to target and retain higher EPC-rated properties currently within our portfolios.

SME transition plan

- Support customers' net zero transition through understanding their priorities and plans, exploring partnerships, and providing financing through existing products.
- Reduce emissions intensity for our SME portfolios to achieve net zero financed emissions by 2050.
- Support the transition by leveraging enhanced due diligence for businesses operating in our identified sensitive sectors, including evaluation of transition plans.
- Develop engagement strategies, including through partnerships, to support customers with their net zero transition.
- Collaborate with industry bodies and partners to amplify the SME voice on net zero and jointly overcome challenges such as data limitations.

Progress update

- Evolved our lending appetite for the power and energy sector.
- Continued to work with industry bodies and external partners to explore solutions to support our customers' net zero transition.
- In 2025, we will build on early-stage SME emissions data to understand the baseline for our SME portfolios, enabling us to support the emissions intensity reduction pathway plan.

Own operations transition plan

- Invest in energy improvements for our existing offices and implement climate criteria for all new or renewed leases that meet defined energy efficiency and broader sustainability standards.
- Understand transition plans and implement climate assessments for our top suppliers.
- Develop colleague engagement strategies to support implementation of employee behavioural change initiatives that support our climate ambitions.
- Offsetting strategy through purchase of high quality verified carbon credits.
- Reduce own operational emissions to achieve net zero by 2035.

Progress update

- Hosted multiple internal employee events on climate topics with external and internal speakers to educate and raise awareness of our climate strategy.
- Increased supplier engagement through the introduction of a supplier climate questionnaire, allowing us to collect actual emissions data and understand suppliers' net zero commitments.
- Enhanced data quality for business travel and purchased goods and services, resulting in a better understanding of our actual emissions.

Climate-related risks and opportunities

We have identified several climate-related transition and physical risks that could impact the Group, alongside potential opportunities. These have been integrated into our strategic planning.

Further details on the outputs of our quantitative assessment can be found in the Risk management section of these disclosures on page 165.

Climate-related risk	Area impacted	Time horizon	Description	Expected impact	Mitigations
Description type	Shawbrook business area	**Short-term:** Before 2030 (aligned with financial planning) **Medium-term:** 2030-2035 (aligned with scenario analysis) **Long-term:** Beyond 2035 (outside current planning horizon)	Climate-related risk or opportunity	**High:** Impacts within the financial planning horizon **Medium:** Impacts within the scenario planning horizon **Low:** Impacts beyond 2035	Current or in plan mitigating actions or key initiatives
Risk: Transition					
Market – Customer behaviour	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands	2035 **Medium-term**	Consumer appetite for sustainable lending continues to change. There is a risk of misunderstanding what customers need when structuring our products.	**Medium** Reduced demand due to shift in customer preferences	• Regular customer and broker engagement. • Deep market expertise embedded within the business to understand customer needs and regularly review customer behaviour.
Policy – Energy efficiency regulation	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands	2035 **Medium-term**	We are dependent on effective government policy to help drive financed emissions reductions. There is a risk that policies will not be in line with the UK's net zero commitment.	**Medium** Reputational damage of not meeting targets	• Agreed restrictions on new lending for properties rated below EPC E, unless exempt. • Quarterly monitoring of EPC properties distribution including origination, retention and redemption rates of EPC C+ rated properties.
Policy – Customer ability to increase efficiency	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands	2030 2035 **Short to Medium-term**	Customers may struggle to fund energy efficiency improvements. This could mean customers' ability to repay loans decreases and asset valuations may fall.	**Medium** Increased credit risk and collateral valuations decreases	• Controls and flags in place to notify customers when lending on EPC rating D or lower properties to consider future improvements to achieve an EPC rating of C or higher. • Plans to identify energy efficiency improvements and/or transition plans through customer engagement. • Actively monitor the market for signs and trends of falling property values and EPC ratings.

Climate-related risk	Area impacted	Time horizon	Description	Expected impact	Mitigations
Risk: Transition					
Policy – Carbon tax	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands • Own operations	2035+ **Long-term**	Increased carbon pricing on our own emissions and customers' operational emissions. This could mean increased operational costs for the Group and customers' ability to repay loans decreases and asset valuations may fall.	**Low** Increased operational costs and customer credit risk	• Engage with customers to understand their plans to reduce emissions and improve their energy efficiency as well as the potential costs to their business of an increase in the cost of carbon. This will also support in improving business continuity risk. • Enhanced due diligence carried out for high carbon sector transactions to understand decarbonisation plans. • Implement carbon savings and energy efficiency improvements in existing offices to reduce own operational emissions. • Climate and energy efficiency principles built into sourcing process for new offices.
Policy – Enhanced reporting and regulatory requirements	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands • Own operations	2030 **Short-term**	Current metrics and disclosures could be considered insufficient or misleading as reporting requirements continue to evolve.	**High** Reputational damage and compliance issues	• Climate expertise embedded within the organisation to understand and comply with current and upcoming requirements. • Developing data to report carbon footprint and reduction targets to meet future reporting requirements.
Technology – Costs to transition to lower emissions technology	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands	2035 **Medium-term**	New technology could be required across all sectors intended to reduce emissions, which could result in devaluation of existing technology.	**Medium** Increased credit risk and collateral valuations decreases	• Continue working with industry bodies to increase customer awareness of the benefits of reducing emissions to mitigate risk of retrofit solutions being expensive in the short-term.
Reputational – Increased scrutiny of our role in transition from lending (financing) and business (operations)	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands • Own operations	2035 **Medium-term**	Current exposure to high emissions sectors and our role in the transition including impacts on mortgage and commercial customers.	**Medium** Reputational damage and reduction in demand for our products	• Active monitoring of new lending to high climate risk sectors with enhanced due diligence requirements. • Climate considerations in all credit papers and own operations key processes including new suppliers and requirements for new offices. • Climate oversight at Board to ensure we are progressing against our climate strategy.

Climate-related risk	Area impacted	Time horizon	Description	Expected impact	Mitigations
Risk: Physical					
Acute – Severe weather events **Chronic – Changes in precipitation patterns and temperatures**	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands • Own operations	2035+ **Long-term**	Disruption due to physical events; damaged assets and/or business disruption due to physical impacts.	**Low** Increased credit risk and collateral asset valuations	• Monitoring of flood risk for property exposure across the Group. • Flood risk monitoring for our own operations and key suppliers. • Scenario analysis includes physical impact scenario on our property portfolio. • Integration of climate risk into business resilience scenarios.
Opportunity					
Products and services	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands	2035 **Medium-term**	Financing the transition focusing on the delivery of energy efficient and low carbon solutions.	**Medium** Increased revenue through additional funding provided	• Actions have been taken across the Group to develop our sustainable finance proposition which includes providing a discount for buy-to-let mortgages with an EPC rating of C or higher and funding electric and hybrid vehicles through our Digital SME business. • Further new sustainable lending opportunities are being explored.
Partnerships	• Commercial franchise – Real Estate and SME • Retail franchise – Retail Mortgage Brands • Own operations	2030 **Short-term**	Collaboration enables acceleration of key opportunities.	**High** Increased revenue through additional funding provided	• We are members of trade bodies that seek to advance the UK's net zero agenda and have participated in various industry forums on this agenda. • We plan to continue to collaborate with partners across the industry to further develop opportunities to enable the net zero transition.
Energy source and efficiencies	• Own operations	2035 **Medium-term**	Increase use of renewable energy and energy efficiency within our property portfolio.	**Medium** Reduced exposure to GHG emissions and reduced sensitivity to changes in cost of carbon	• Offices we occupy and have operational control over are on renewables tariffs. • We continue to focus on increasing energy efficiency across our own operations, working with landlords to implement energy efficiency improvements. • We have incorporated energy efficiency principles into the procurement process for new offices.

Process to identify risks and opportunities

We utilise a suite of tools and processes to identify risks and opportunities presented by climate change relating to our lending activities. These cover emissions measurement and both qualitative and quantitative scenario analysis.

Measuring building emissions and EPC data gathering	At an individual property level, we use EPC data to measure emissions and ascertain issues affecting transition as well as a view of each financed property's potential energy efficiency. During 2024 we further developed our data capability in the context of unit level information within multi-unit blocks and consideration of modelled emissions to support coverage of property exposure.
Measuring SME-linked financed emissions	Our SME customers are typically small companies who are not mandated to produce emissions figures under current regulation. During 2024 we completed work to identify all of the trading locations for our customers to support an accurate assessment of physical risk and continued to develop our approach under the Partnership for Carbon Accounting Financials (PCAF) to support an estimate of baseline and movement in lending emissions. We signed up to two further initiatives late in 2024 to further advance our SME emissions insights as follows: 1. We are establishing a sector-based climate base case to support planning and forecasting and to further embed climate within our decision-making processes, as well as to provide insights to support our customers in understanding their net zero plans and approach to sustainability. 2. We are developing a sector-based net zero pathway for our most material sectors as part of our proportionate approach to climate risk. This new data has been shared with our climate data partner to assess the physical and transition risks and opportunities that may exist for each customer and will be further developed during 2025 and beyond.
Qualitative scenario analysis	We have analysed climate risks using the 2021 Climate Biennial Exploratory Scenario (CBES) (early, late action and no action) over 30 years. These scenarios assumed varying levels of policy intervention to reduce carbon emissions. This analysis helped us to understand potential transition risks that could impact our business. Using a proportionate approach based on exposure levels, we selected five sectors for in-depth transition risk analysis. These sectors made up c.90% of our Commercial franchise and Retail Mortgage Brands.
Quantitative scenario analysis	We have completed our second quantitative scenario analysis using the late action scenario, assuming a disorderly transition, published within the 2021 CBES. We tested our strategy and business model at 31 December 2023 but assuming the date was 31 December 2030. We assessed the impact of the macroeconomic pathway as well as physical and transition risk for all of our lending portfolios where appropriate and proportionate. We also expanded our climate measurement to our SME customers as we believe we can use our expertise to help them prepare for the transition. This analysis has shown that the cumulative losses expected over a 5-year period post-2030 when compared with the Group's budget scenario are broadly consistent with the conclusions of the 2021 CBES late action scenario counterfactual scenario, considering property-related lending.
Physical risk assessments – lending	We have engaged with climate-related data partners, CLSQ and D-Risk to measure potential flood damage across the Group's Property Lending Portfolios and SME operating addresses. We have used the floodability index which uses a Green, Amber, Red, Black 1 and Black 2 rating to categorise the risk of flooding. This is widely used by lenders and valuation surveyors to provide a consistent view across the property market.

Physical risk assessment – own operations	We have completed a physical risk assessment of our own operations under flood, subsidence and coastal erosion climate perils. This includes the operational centres of our UK material outsourcers. The following scenarios were assessed: • **Flood risks under four climate scenarios (RCP[1] 2.6, 4.5, 6 and 8.5) at three points in time (2030, 2050, 2080):** One of our sites and two outsourcer sites identified as carrying inherent risk but all have continuity plans in place, reducing the residual risk. • **Coastal erosion rates for locations within 1km of the coastline up to 2100:** No office locations or current material outsourcers. • **Subsidence risks from a historical perspective (1961-90) and future perspective (2020-49; 2040-69):** Number of sites subject to elevated subsidence risk. Our Operational Resilience team within Operational Risk have engaged with internal relationship owners to determine what business continuity plans are in place to support an assessment of residual risk, of which none are outside of risk appetite. We plan to develop our own base case during 2025 to support our strategy and planning as well as support sector level analysis.
Transition risk assessment – own operations	We have measured our Scope 1 and 2 emissions as well as relevant Scope 3 emissions for our own operations. We have developed a plan to achieve net zero for our own operations by 2035 which includes the use of renewable resources and the purchase of carbon offsets, which we intend to reduce over time.

Strategic resilience

Our strategy is aimed at supporting our customers' transition to net zero and is therefore impacted by climate-specific risks. We see the transition as an opportunity, particularly in our Commercial franchise and Retail Mortgage Brands where policy interventions including a minimum EPC level and updates to our terms and conditions have already been implemented. There are inherent risks in not recognising the technological change as well as changes in consumer demand which may lead to adverse selection and a portfolio of loans which is less re-financeable and at risk of reduced collateral prices and/or increased customer defaults. To support this we are developing our retention capability together with product transfers and further advances to provide the products required to support the transition. We recognise that technology plays a significant role in measuring the impact on climate risk and we are undertaking a pilot exercise of smart meter data to assess the potential to improve the PCAF rating for climate risk in property, improve measurement, and support more granular customer assessments.

We completed our second annual quantitative assessment of the climate-related scenarios using data that we have received from our climate data partners. We have used the data to identify specific physical and climate-related adjustments to both customer default and collateral valuations through which we can apply our stress testing approaches to assess the impact of late policy action scenario within our Pillar 2B assessment as part of our ICAAP. For 2024 this includes a more detailed assessment of physical and transition risk where it is appropriate to do so. Pillar 2B is an assessment of risks over a 3-to-5 year period that are not currently picked up under Pillar 1 capital rules.

For 2025, we will also complete an assessment of the impact on ECL in line with recent Dear CFO letters on climate and complete a Pillar 2A assessment of climate risk given that Pillar 1 assumes risks that are internationally perfectly diversified.

Input into financial planning

Qualitative horizon scanning relating to climate change forms part of our macroeconomic trends analysis that accompanies our financial plan. In 2024, we used the outputs from quantitative scenario analysis as an input into the ICAAP process which spans five years. This analysis will influence key financial metrics such as revenue and capital by testing the impact of climate change on our strategy and business model. Our investment in data and technology, which will be a key enabler for our response to climate change, is factored into our operational budgets out to 2029.

We plan to further embed climate risk into our planning during 2025 by using a more granular base case and sector-specific scenarios. This will help us incorporate climate considerations into our financial planning.

1 Stands for representative concentration pathway.

Governance

The oversight and management of climate-related risks and opportunities is integrated into the Group's governance structure. A summary is shown in the chart opposite.

Further information on both the Board and Management's role in overseeing, assessing and managing climate-related risks and opportunities is included in the following pages.



Board's role and activities

The Board sets the Group's strategic goals, including climate priorities, promoting the long-term sustainable success of the Group for the benefit of all our stakeholders. The Board is responsible for overseeing our approach and response to climate change, including monitoring progress against agreed targets.

The Board discusses climate-related matters throughout the year, with formal updates received at least twice a year, covering climate-related risks and opportunities as well as progress against the agreed strategy. The Board also receives external training to keep abreast of the evolving external landscape. Some aspects of climate governance are delegated to Management committees, as shown in the governance structure chart on page 163.

During 2024, the Board continued to be engaged in all aspects of our climate strategy. Key topics of engagement included:

- Reviewed and approved the Group's 2024 Climate Report within the 2024 Annual Report and Accounts.
- Reviewed our evolved transition plans and received half-year progress update on our key metrics and targets.
- In early 2025, received external training on the evolving landscape on disclosure requirements.
- Approved the climate risk appetite statement and a number of property-based risk appetite limits that provide the framework for future risk appetite limits that are aligned to interim targets and measures.

Chief Executive Officer	The Chief Executive Officer owns the development and delivery of sustainable performance, purpose and sustainability strategy, which includes overall accountability for climate-related risks and opportunities. Through the Executive Committee meetings, climate-related matters are discussed throughout the year, with spotlight sessions held at least twice a year.
Chief Risk Officer	The Chief Risk Officer is the Senior Manager accountable under the PRA's Senior Managers and Certification Regime for identifying and managing the risks arising from climate change. Climate considerations are included in the regular monthly update to the Executive Risk Committee.
Chief Financial Officer	The Chief Financial Officer has accountability for measuring financed emissions and the incorporation of climate considerations into strategic financial planning.
Retail and Commercial Chief Banking Officers	The Group's Retail and Commercial Chief Banking Officers are responsible for aligning their strategic actions to respond to climate change by managing associated risks and opportunities, including meeting climate commitments.
Executive Committee	The Executive Committee is supported in climate-related matters by the Sustainability Sub-Committee, chaired by the Chief of Staff, and its working groups. The Sustainability Sub-Committee has delegated responsibility from the Executive Committee to steer and provide oversight of the Group's sustainability strategy including climate-related aspects. The Sustainability Sub-Committee convenes key senior representatives at least quarterly to oversee implementation of the Group's climate strategy and embedding of climate-related deliveries into business as usual activities, and tracks progress against internal and external climate metrics and targets.
Sustainability team	The Sustainability team (reporting into the Chief of Staff) works in partnership with key stakeholders across the Group to develop and deliver the climate strategy and has accountability for measuring emissions from own operations.

Management's role and activities

The Board delegates responsibility for the delivery and execution of the Group's climate strategy to the Chief Executive Officer, supported by the Executive Committee, which is responsible for ensuring that the climate strategy is embedded across the Group. Under the oversight of the Board, Management is responsible for continuing to identify, measure, manage, monitor, report and challenge on climate-related risks and opportunities. To ensure climate action remains a top priority, we have integrated climate metrics within the bonus scorecard design and implemented mandatory climate training for all employees, including new joiners, further embedding climate considerations into our corporate culture.

During 2024, the Sustainability Sub-Committee continued to steer key aspects of the climate strategy, including:

- Discussed and reviewed operational carbon footprint results and the 2024 Climate Report.
- Agreed climate-related employee communications plan, including lunch and learn sessions.
- Reviewed progress against climate-related metrics ahead of discussion with the Executive Committee and the Board.
- Reviewed plans to evolve and deliver our targets, including own operations and sustainable finance lending commitment.
- Reviewed refreshed Group transition plans to reach net zero goals.

Risk management

We are aware that climate change represents an inherent risk to the Group, including the impact on the UK economy, asset values, customer affordability and operational risks. Our objective is to continue to measure and embed climate risk within the Group to evolve our assessment of the risks and identify and deliver opportunities arising from climate change.



We classify climate-related risks as follows:

Physical risk

Physical risks can manifest in various ways, impacting organisations through water scarcity and quality issues, food security and extreme temperature changes affecting premises, operations, supply chains, transport and employee safety.

Two main types:

- **Acute physical risks:** Event-driven such as cyclones, hurricanes or floods.
- **Chronic physical risks:** Long-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause rising sea levels or persistent heatwaves.

Transition risk

The transition to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change.

- **Policy risks:** Regulations aimed at climate mitigation (e.g. carbon pricing) and adaptation can create uncertainty and constraints on business operations.
- **Legal risks:** Companies may face legal action by individuals or entities seeking compensation from losses incurred due to the failure to mitigate or sufficiently adapt to the impacts and/or the inadequate disclosure of climate-related financial risks.
- **Technology risks:** The development and use of emerging technologies (e.g. renewable energy, battery storage and carbon capture and storage) can impact some companies' competitiveness, costs and business models.
- **Market risk:** Shifts in supply and demand for certain commodities, products and services driven by climate change can disrupt markets and create new challenges.
- **Reputational risks:** Public perception of a company's climate action can adversely impact its brand and customer relationships.

Litigation risk

Litigation risk is defined as the risk of legal activity as a result of climate change. The risk arises from people or businesses seeking compensation for losses they may have suffered from physical or transition risks.

Risk appetite

Our risk appetite statement defines the types and levels of risks the Group is willing to accept within our risk capacity, or wants to avoid to achieve our business objectives. This is annually reviewed and approved by the Board alongside the budget and five-year plan. The Board approves and reviews performance against the Group's risk appetite limits including climate measures which continue to evolve alongside the development of new measures. Our risk appetite statement includes a qualitative statement supported by several objectives and dimensions, and a series of quantitative triggers and limits. Each measure in our risk appetite report is weighted to ensure that the most material measures are escalated in the event of a breach. In the context of climate risk, we have triggers for specific metrics such as potential EPC on the buy-to-let and owner-occupied mortgage portfolios to act as an 'early warning indicator' to prompt early action and avoid a breach of our risk appetite.

Risk management plays an active role in our strategic planning process. As part of this process, the group risk function compares the impact of the Group's plan to the risk appetite and has the authority to independently challenge and escalate those initiatives that are not in line with the risk appetite statement.

For further information on our risk appetite statement, objectives and dimensions please refer to pages 85-87 within the Risk Report.

Our risk appetite statement in relation to climate risk is:

"The Group is committed to understanding the impacts its activities can have on the environment and embeds this understanding of physical and transition risks within its sustainability strategy. The Group will support its customers with financing for their transition to a low carbon economy and play its part in supporting the government's commitment to net zero by 2050."

Risk Management Framework (RMF)

We recognise the cross-cutting causal nature of climate risk and have designated climate risk as a principal risk in the Group's risk taxonomy. This ensures the RMF is able to support the Group's growth and manage the associated risks. See Risk Report on page 87 to see how climate risk is embedded within our overall RMF.

To promote embedding, our climate risk standard supports principal risk owners with the identification, management and reporting of climate risk. The process for identifying, assessing and managing climate-related risks follows the six stages set out in the Group's RMF and are reflected in all risk policies and include:

1. Identification
2. Measurement
3. Management
4. Monitoring
5. Reporting
6. Challenge

1. Risk identification

Identifying risks that could impact the Group requires in-depth knowledge of our strategic objectives, business operations, target markets, and organisational structure. This process includes:

- Partnering with CLSQ and D-Risk to procure climate data on our lending portfolios where it is proportionate to do so. This includes coastal erosion, surface water flooding and subsidence under a number of different RCP adopted by the Intergovernmental Panel on Climate Change. The data also includes the average damage ratio for buildings under the same pathways. For transition risk the data includes actual and potential EPCs for residential and commercial properties including the top 10 improvement initiatives and indicative costs. The data includes key information on year of build, build area and emissions numbers. Our licence allows us to understand how the book is performing versus baseline emissions through a quarterly back book review and through an API to support implementation into lending strategies.
- Partnering with Experian to procure operating location data for our SME customers through which a comprehensive physical and transitional risk assessment can be made together with lending emissions baseline data for 2023. This work will develop further in 2025.
- Developing a test of smart meter data to support a more accurate assessment of lending emissions and an improvement in the PCAF score for our property exposure.

2. Risk measurement

Risk measurement quantifies the risks to the Group to enable assessment and selection of the appropriate means of managing the risk and to enable appropriate resources to be dedicated to its management. Appropriate systems, methodologies and models are selected for risk measurement and their limitations understood and taken into account where possible. We consider the consistent application of planned and stressed conditions into the tools and measurement of risk.



3. Risk management

Risk management involves identifying an appropriate strategy to address a specific risk which could include the following responses:

- **Accept the risk** – this is normally selected where the cost of mitigating the risk is more than the loss if the risk was to materialise;
- **Avoid the risk** – by terminating the activity that generates the risk;
- **Transfer the risk** – by transferring to a third party, for example by taking insurance; or
- **Mitigate the risk** – by putting effective controls in place to reduce the risk.

Our primary risk management strategy for climate risk is to use the data and insights from scenario testing to mitigate the risk. We implement policies to support customers in the transition to a low carbon economy through our lending. In some instances, we will seek to avoid the risk. This could be due to non-alignment with the net zero trajectory or where the physical risk is not inside our risk appetite.

4. Risk monitoring

We use physical and transition risk management information to monitor the evolution of climate risk within our lending portfolio. This includes setting targets for EPC mix and physical risk exposure. We also use management information to assess the strategic risk through adverse selection. For SME customers this may include continuity or resiliency scores to support customer engagement to help them understand climate risk to their strategy in addition to the other risks attached to the lending.

5. Risk reporting

We report on climate risks regularly through the Executive Risk Committee and onwards to the Risk Committee and Board. This includes performance against risk appetite metrics and the results of our quantitative scenario analysis through the ICAAP.

6. Challenge

Challenge of the climate strategy is provided by the governance process of the Board and supported by assurance reviews provided by the Group's internal audit function.

Some examples of work completed during 2024 to incorporate climate risk into existing principal risks include:

- Use of data to enhance EPC coverage for placement of mortgages at the Bank of England.
- Inclusion of climate risk within the 2024 ICAAP to assess the financial impacts of climate change on the strategy and business model.
- Further development of SME data to support customer engagement.
- Pilot of smart meter data for residential households.

We have undertaken qualitative scenario analysis using the scenarios published as part of the 2021 CBES and developed and implemented our approach to embed the impact of climate change quantitatively within the ICAAP.

Risk management lifecycle

Climate risk impacts different risk types. Our risk analysis of assets and liabilities identified strategic, credit and liquidity risk as primary areas of focus for embedding climate risk in the RMF, followed by operational and conduct risk.

Strategic risk

Strategic risk is a risk that arises from the failure to execute the Board approved strategy. In the context of climate risk, this may manifest through adverse selection, leading to concentration in a particular area that may threaten our long-term viability as a business or misalign with external expectation and market. To address this, we have developed a series of key risk indicators and metrics (e.g. the percentage of buy-to-let and owner-occupied properties currently at or with the potential to improve to an EPC rating of C or higher) to monitor and quantify the impact of adverse selection on performance.

Credit risk

We have developed a bespoke and proportionate approach to prioritise and assess climate risk within credit risk, aligning to the requirements of the PRA's supervisory statement SS3/19. This involves utilising four strategies covering 96% (2023: 94%) of the net loan book. The graphic on the next page summarises our exposure against each strategy. Exclusions relate mainly to acquired portfolios or loans with a short tenor where there is very limited physical or transition risk.

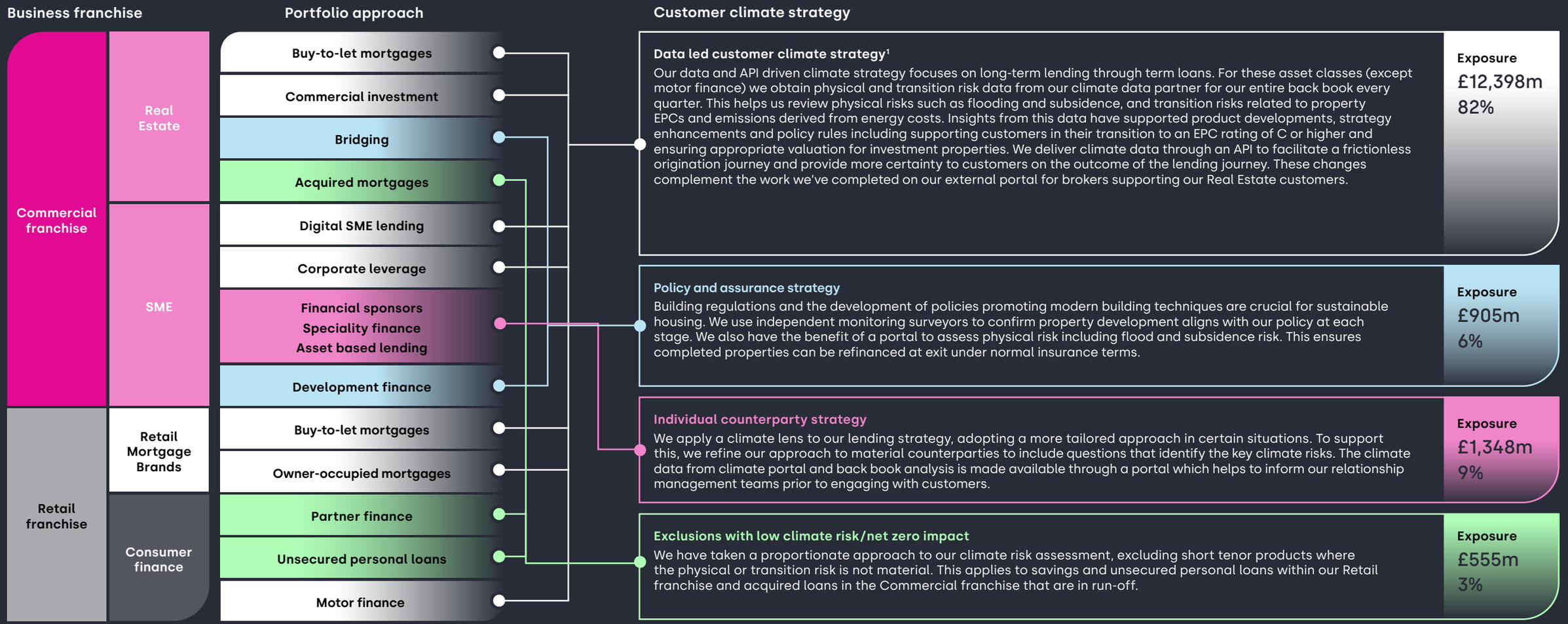
Impact against other risk types

We continue to extend our climate risk management process to other principal risks as part of our approach to embed climate risk in the way we do business. This includes the delivery of climate-related opportunities and embedding of policy changes to ensure there is no climate arbitrage across the Group.

Top and emerging risks

Our top and emerging risks are identified through the process outlined in the RMF and are considered regularly by the Executive Risk Committee and subsequently by the Risk Committee. These are set out in the Risk Report on page 92. The Board has considered the top and emerging risks and concluded that climate risk remains a top risk in 2024.

We have developed a bespoke and proportionate approach to prioritise and assess climate risk within credit risk, aligning to with a short tenor where there is very limited physical or transition risk.



Source: Shawbrook net loan book at 31 December 2024

1 This includes second charge mortgages within our back book.

Metrics and targets

Developing metrics and targets is an essential part of monitoring our impact and progress against our climate ambitions. The Group has agreed metrics and targets to measure our impact across Scopes 1 to 3, in alignment with established standards such as the PCAF and the GHG Protocol. These are used to assess and manage our climate-related risks and opportunities.



Financed emissions

Our most significant GHG emissions relate to Scope 3: category 15 – investments or financed emissions within our lending portfolios. To achieve net zero by 2050, we need to measure these emissions to inform our reduction actions. We utilise the PCAF methodology to measure financed emissions, ensuring consistency and comparability across the financial services sector. We have assessed the emissions associated with the Group's Property Lending Portfolios using the PCAF methodology. We recognise the main limitations of using EPCs to measure our emissions[1] and we plan to take mitigating actions to increase data quality over time. We also continue to increase coverage across these portfolios.

As part of our emissions measurement journey, we plan to improve our data quality and increase coverage across our loan book, where proportionate, to assess and manage our carbon-related assets and exposures. This will include our SME portfolio and motor portfolio in the future following our recent acquisition of JBR. All other asset classes will remain outside the scope of measurement[2].

Our ambition is to reach **net zero by 2050**

Property Lending Portfolios

The table below shows how we segment our Property Lending Portfolios in line with PCAF guidance on how to classify buildings, split into residential and commercial properties. This excludes our bridging and acquired portfolios[3].

Property Lending Portfolios[4]

Property type classification	Franchise	Operating segment	Asset classes included in scope
Residential Properties	Commercial	Real Estate	• Buy-to-let (secured against residential property) • Owner-occupied mortgages[5]
	Retail	Retail Mortgage Brands	• Buy-to-let (secured against residential property) • Owner-occupied mortgages
Commercial Properties	Commercial	Real Estate	• Commercial investment (including semi-commercial)[6] lending

1 Not all UK dwellings have EPCs, due to outdated assumptions that rely on averages.
2 Due to the short-term nature of the lending and purpose where we do not have influence on how the proceeds are being utilised.
3 The Group's acquired portfolios include certain buy-to-let and commercial investment lending that is in run-off.
4 We use the term Property Lending Portfolios to cover all of the Group's property-related asset classes currently within scope for measurement of our financed emissions, as shown in column 4 of the table labelled 'Property Lending Portfolios' opposite.
5 This includes second charge mortgages within our back book.
6 Where the commercial element of the property accounts for more than 50% of its value it is classified as a Commercial Investment mortgage.

Measurement of emissions for the Group's Property Lending Portfolios

For our measurement, we sourced building emissions from available EPC data. To improve data quality when measuring our emissions, we adjusted EPC data by accounting for changes in the UK grid decarbonisation and including unregulated emissions such as appliances. We used the PCAF methodology to calculate the Group's Property Lending Portfolios financed emissions baseline and have a data quality score of 3[1].

$$\text{Financed emissions (with b = building)} = \sum \text{Attribution factor}_b \times \text{Building emissions}_b$$

$$\text{Attribution factor}_b \text{ (with b = building)} = \frac{\text{Outstanding amount}_b}{\text{Property value at origination}_b}$$

Type	Absolute emissions (tCO2e)[2]			Emissions intensity (kgCO2e/m2)[3]		
	2024	2023	2021 (baseline)	2024	2023	2021 (baseline)
Residential Properties	78,497	75,350	46,993	41	42	46
Commercial Properties	25,453	25,984	21,598	103	111	133

1 Defined by PCAF as using "Estimated building energy consumption per floor area based on official building energy labels and the floor area are available".
2 Total GHG emissions associated with the Property Lending Portfolios.
3 To understand the efficiency of the Property Lending Portfolios in terms of emissions per unit, which allows for portfolio growth.



Our progress

Emissions intensity from our 2021 baseline has continued to reduce for both Residential Properties and Commercial Properties. The main driver has been higher rated EPC properties within our new originations, improving the overall EPC mix for both portfolios.

There was a further reduction in the Residential Properties portfolio emissions intensity between 2023 and 2024 of 2.4% and emissions intensity has also reduced by 10.9% from our 2021 baseline.

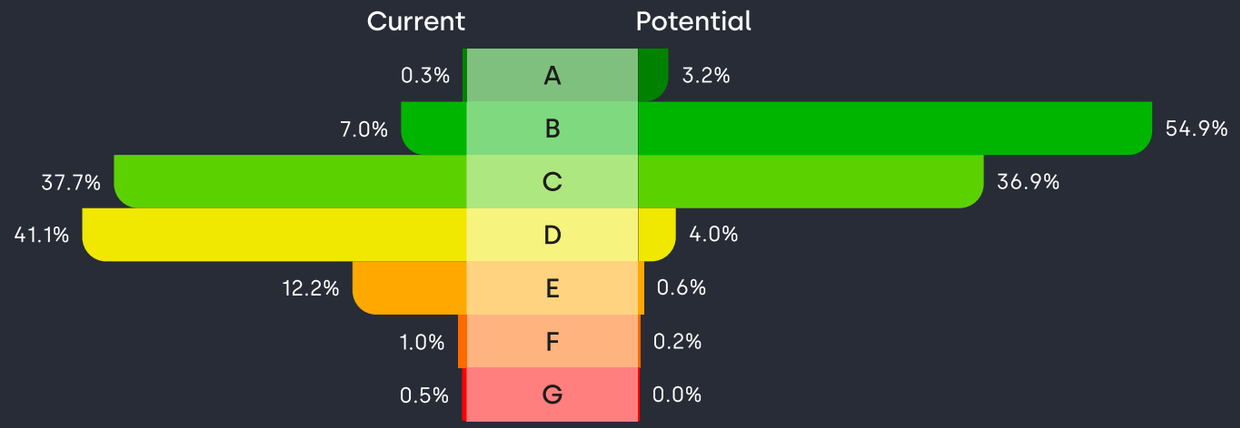
The Commercial Properties portfolio emissions intensity continued to reduce in 2024 compared to previous years including our 2021 baseline.

Energy risk assessment for Residential Properties

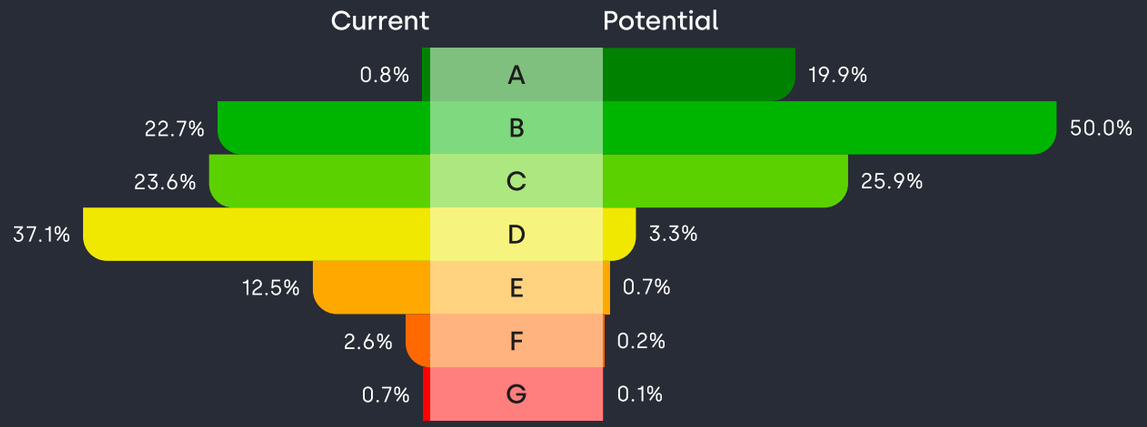
As part of our ambition to improve the energy efficiency of properties for both professional property investors and owner-occupied mortgage customers, we receive energy risk assessments during our origination process. This informs our financing decisions and ensures we capitalise on opportunities presented by the climate transition. Our partnership with CLSQ and D-Risk provides valuable insights into property-level energy performance, including potential EPC ratings, enabling us to proactively address climate risk. We have also continued to improve our back book EPC coverage. The current EPC coverage for the Group's buy-to-let mortgages is 71% (2023: 66%) and owner-occupied mortgages is 85% (2023: 82%). See the charts opposite for the current and potential EPC exposure of our buy-to-let and owner-occupied mortgages.



Exposure to buy-to-let mortgages by EPC



Exposure to owner-occupied[1] by EPC

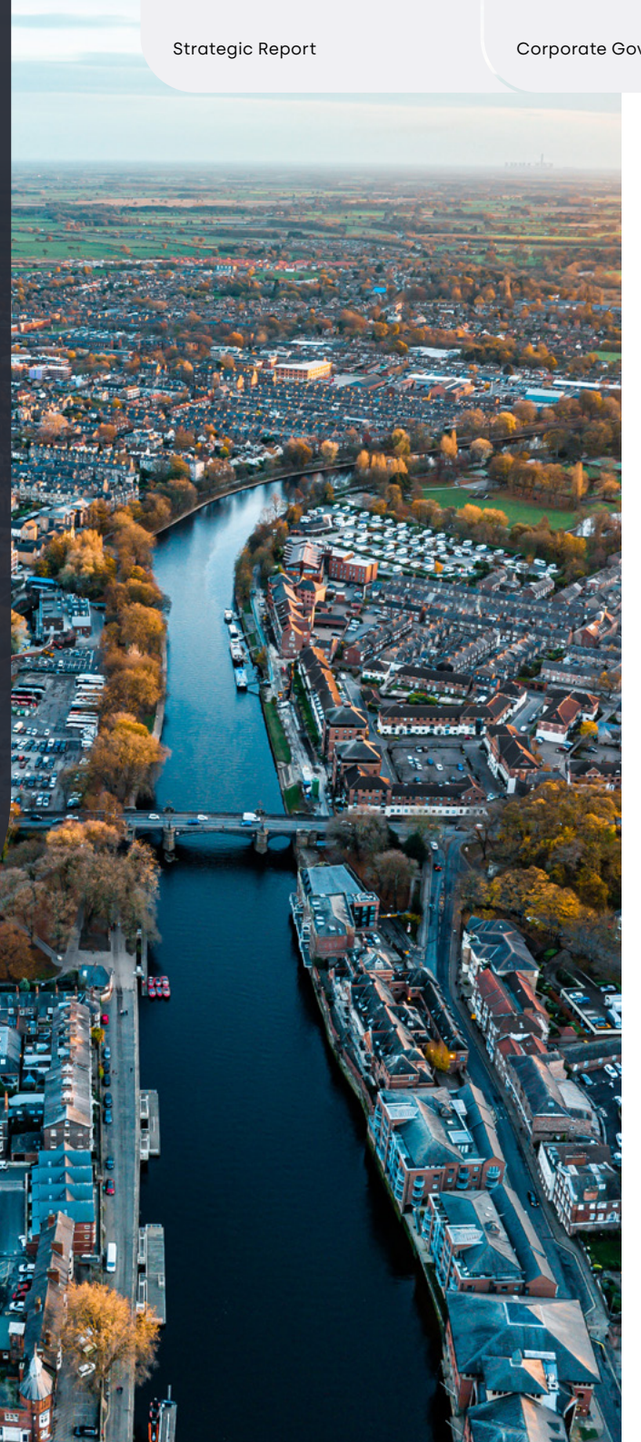


1 This includes second-charge mortgages within our back book.

Flood risk assessment for Residential Properties

We continue to monitor physical risk data to assess the proportion of our buy-to-let and owner-occupied lending portfolios exposed to climate risk. Through our climate data partnership, we evaluate surface water, coastal and river flood hazards at a property level using location-specific data. This model considers flood type, frequency and depth of flooding to determine potential damage.

Properties with a flood rating defined as high risk or very high risk, currently covered by Flood Re, may see their premiums increase significantly due to market forces. This analysis reflects flood risk levels in 2024 based on current defences and is utilised to evaluate risk under CBES scenarios. The maps in this section represent the proportion of our Residential Properties that are at high risk and very high risk of flooding in specific regions of the UK.



Exposure for Residential Properties



East Anglia	East Midlands	Greater London
1.2%	1.2%	0.9%
1.7%	1.2%	1.4%

North East	North West	Scotland
0.2%	0.7%	0.6%
0.6%	1.1%	1.1%

South East	South West	Wales
0.4%	0.7%	2.8%
1.7%	3.0%	2.2%

West Midlands	Yorkshire & Humberside
0.4%	1.4%
1.1%	2.6%

Illustration key

- % of total regional loans at high risk
- % of total regional loans at very high risk

Sustainable finance originations

As part of our commitment to support customers in their transition to net zero, we originated over £640 million of sustainable finance in 2024, bringing our total sustainable financing to £1.1 billion between 1 January 2023 to 31 December 2024[1]. This is based on the environmental criteria of our Sustainable Finance Framework[2].

We have committed to provide **£1.2 billion sustainable finance originations** between 1 January 2023 and 31 December 2025.



Own operational footprint

We measure and manage the GHG emissions associated with our operational carbon footprint through a third-party climate management and accounting platform. Following the GHG Protocol, we measure our emissions across Scopes 1, 2 and 3 (all relevant categories 1 – 14), with Scope 3 Category 15 financed emissions covered on pages 169 and 170. Our 2024 total emissions were calculated to be 9789 tCO2e. See our SECR Report on page 33 for a breakdown of emissions per scope. We also invested in high-quality, verified carbon credits to neutralise 152 tCO2e of our operational emissions. This ensures we remain carbon neutral as we strive towards achieving net zero through our emissions reduction initiatives.

Our ambition is to reach **net zero by 2035** for our own operations and maintain carbon neutrality in the meantime



Purchased goods and services

We recognise that our climate impact extends to our suppliers, with purchased goods and services accounting for the majority of our operational carbon footprint. In 2024, we engaged with our top suppliers, using a questionnaire to understand their climate ambitions and carbon footprint. As at 31 December 2024, 51% of our top suppliers were net zero aligned. We will continue to engage into 2025.

We are committed to ensuring at least half of our suppliers, with annual spend of over £200,000, are net zero aligned by 31 December 2025.

1 We originated £475 million of sustainable finance in 2023.
2 More information can be found on page 42.

Financial Statements

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Independent Auditor's Report

to the members of Shawbrook Group plc

1. Our opinion is unmodified

We have audited the financial statements of Shawbrook Group plc (the 'Company') and its subsidiaries (together referred to as the 'Group') for the year ended 31 December 2024 which comprise the Consolidated statement of profit and loss, Consolidated statement of comprehensive income, Consolidated and Company statement of financial position, Consolidated statement of changes in equity, Company statement of changes in equity, Consolidated and Company statement of cash flows, and the related notes, including the accounting policies in note 7.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole	£12.7m (2023: £13.5m) 4.3% of Group profit before tax (2023: 4.7% of Group profit before tax)	
Key audit matters		**vs 2023**
Recurring risks	ECLs on loans and advances to customers	↑
	Measurement of loans and advances to customers at fair value through other comprehensive income	↔
	IT user access management	↔
	Recoverability of parent Company's investment in subsidiary	↔

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows :

Independent Auditor's Report

to the members of Shawbrook Group plc

Key Audit Matter	The risk	Our response
ECLs on loans and advances to customers £172.0 million; 2023: £140.7 million Refer to Audit Committee report, Risk Report and Notes to the financial statements.	**Subjective Estimate** The estimation of expected credit losses ("ECL") of loans to customers involves significant judgement and estimates with a high degree of uncertainty. Our assessment is that the risk has increased as a result of a higher degree of estimation uncertainty with respect to individually assessed SME stage 3 assets. The key areas where we have identified greater levels of management judgement and therefore increased levels of audit focus in the estimation of ECL are: • Model estimations - Inherently judgemental modelling is used to estimate ECL, particularly in determining the Probability of Default ("PD") in certain portfolios. These models utilise both the Group's historical data and external data inputs. • Economic scenarios - IFRS 9 requires the Group to measure ECL on an unbiased forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied in determining the economic scenarios used, particularly in the current economic environment, and the probability weightings applied to them. • Post-model adjustments - Adjustments to the model-driven ECL results are made by management to address known impairment model limitations or emerging trends. The identification of a complete set of adjustments is inherently subjective and significant judgement is involved in estimating these amounts. • Significant Increase in Credit Risk ("SICR") – The criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12-month or a lifetime provision is recorded. We have specifically identified an increased risk associated with the judgement relating to the effectiveness of SICR criteria where customers or portfolios are impacted by the current macroeconomic pressures. • Individually assessed - Stage 3 - The measurement of SME Stage 3 assets is an inherently judgemental area within the financial statements. Lifetime expected credit losses on SME customer exposures in Stage 3 are individually determined based on certain assumptions about the recovery of the asset using various key inputs including the expected future cash flows, and discount rates. The effect of these matters is that, as part of our risk assessment, we determined that ECL provisioning has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. Disclosure quality - The disclosures regarding the Group's application of IFRS 9 are important in explaining the key judgements and material inputs to the IFRS 9 ECL results, as well as sensitivity of the ECL results.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our credit risk modelling expertise:** We involved our own credit risk modelling team who assisted us in the following: • evaluating the Group's impairment methodologies for compliance with IFRS 9; • for models which were changed or updated during the year, evaluated whether the changes were appropriate by assessing the updated model methodology against applicable accounting standard; • for a selection of models, independently evaluated the model output by inspecting the corresponding model functionality and independently implemented the model by rebuilding the model code and comparing our independent output with management's output; • independently assessed and reperformed the updated model calibrations; and • independently applied management's staging methodology and inspected model code for the calculation of the ECL to assess its consistency of the Group's approved staging criteria and the output of the model. **Our economics expertise:** We involved our own economic specialists who assisted us in: • assessing the reasonableness of the Group's methodology and models for determining the economic scenarios used and the probability weightings applied to them; • assessing key economic variables by comparing the economic variables to external sources; and • assessing the overall reasonableness of the economic forecasts by comparing the Group's forecasts to our own modelled forecasts. **Tests of details:** Other key areas of our testing in addition to those set out above included: • critically evaluating management's assumptions which are applied to determine the basis of post model adjustments; • assessing the completeness of post model adjustments identified; • reperforming the calculation of the post model adjustments to assess consistency with the Group's methodologies; • evaluating the completeness of SICR criteria in capturing new risks due to changes in the economic environment; and • selected a sample of individually assessed impairments to assess the adequacy of ECL by challenging key judgements and assumptions and considering disconfirming or contradictory evidence. **Assessing transparency:** We assessed whether the disclosures appropriately reflect and describe the uncertainty which exists when determining the expected credit losses. In addition, we assessed whether the disclosure of the key judgements and assumptions made is sufficiently clear. **Our results:** We found the resulting estimate of the Expected credit losses on loans and advances to customers and the associated disclosures made to be acceptable (2023: acceptable)

Independent Auditor's Report

to the members of Shawbrook Group plc

Key Audit Matter	The risk	Our response
Measurement of loans and advances to customers at fair value through other comprehensive income £3,580.2 million; 2023: £2,815.3 million Refer to Audit Committee report, Risk Report and Notes to the financial statements.	**Subjective estimate** Loans and advances to customers originated under the 'held to collect' business model are classified in accordance with IFRS 9 as measured at fair value through other comprehensive income. The valuation methodology for loans and advances to customers at fair value through other comprehensive income uses observable and unobservable inputs. These loans are classified as level 3 in the fair value hierarchy under IFRS 13 and there is subjectivity in determining the significant unobservable inputs (e.g. risk-adjusted discount rate) as management has limited relevant and reliable market data available. We have determined that the risk-adjusted discount rate applied in the calculation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes on the fair valuation of loans and advances to customers greater than our materiality for the financial statements as a whole, and possibly many times that amount. As a result, a significant risk of error and fraud was identified in respect of the risk-adjusted discount rate determined by management. **Disclosure quality** The disclosures regarding the application of IFRS 13 are key to explaining the key judgements and material inputs to the fair value estimate, including model sensitivities estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Methodology choice:** We assessed the appropriateness of the methodology used to value the loans, including suitability of the model and key assumptions used around the risk-adjusted discount rate. **Our valuation expertise:** We involved our internal valuation specialists to reprice the fair value portfolio using an independent risk-adjusted discount factor, developed based on the risk characteristics of each product and data on similar instruments in the market. **Sensitivity analysis:** Our valuation specialists also calculated the impact on fair value for sensitivity over the key assumptions such as the risk-adjusted discount factor and prepayment curves. Test of details: We performed tests of details over the completeness and accuracy of the data that feeds into the model primarily by tracing the relevant data elements to the original source documentation and assessed the accuracy of prepayment curves used in the model. **Assessing transparency:** We critically assessed the adequacy of the disclosures regarding the degree of estimation uncertainty involved in arriving at the valuation including sensitivity analysis and fair value hierarchy disclosure. **Our results:** We found the measurement of the loans and advances to customers at fair value through other comprehensive income, and associated disclosures made to be acceptable (2023: acceptable).

Independent Auditor's Report

to the members of Shawbrook Group plc

Key Audit Matter	The risk	Our response
IT user access management Refer to Risk Report	**Control performance** The Group's accounting and reporting processes are dependent on automated controls enabled by IT systems. User access management controls are an important component of the general IT control environment assuring that unauthorised access to systems does not impact the effective operation of the automated controls in the financial reporting processes. Key user access management controls include privileged access management and the timely removal of user access. There is a risk that user access management controls are not consistently implemented and effectively operated across the Group, including controls operated by third party service providers. If these user access management controls are deficient and not remediated or adequately mitigated, the pervasive nature of these deficiencies may undermine our ability to place reliance on automated controls in our audit.	Our audit procedures included: **Control testing:** We tested the design, implementation and operating effectiveness of the relevant controls over user access management including: • Authorising access rights for new access provision; • Authorising modified access; • Timely removal of user access rights; • Privileged user and developer access to production systems, the procedures to assess granting, potential use, and the removal of these access rights; and • Segregation of duties including access to multiple systems that could circumvent segregation controls. **Test of details:** For certain account balances we responded to the deficient general IT controls by performing additional substantive testing. This included increasing sample testing over certain account balances. We also compared selected data to external sources (such as third-party contracts and / or bank statements), to test the integrity of the transactional level data that is flowing into and contained within the Group's financial statements. **Our Results:** Based on our testing and the additional procedures performed in response to the IT deficiencies identified, we concluded that none of the IT deficiencies impacted the effective operation of automated controls that we placed reliance on in our audit (2023: None identified).

Key Audit Matter	The risk	Our response
Recoverability of parent Company's investment in subsidiary (£432.5 million; 2023: £431.8 million) Refer to Notes to the financial statements.	**Low risk, high value** The carrying amount of the parent Company's investment in its subsidiary represents 71% (31 Dec 2023: 69%) of the Company's total assets. The investment's recoverability is not at a high risk of material misstatement or subject to significant judgement or estimation uncertainty. However, due to the materiality in the context of the parent Company's financial statements, this is considered to be the area that has the greatest effect on our overall parent Company audit.	We performed the following audit procedure rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. **Test of details:** We compared the carrying amount of 100% of investments with the relevant subsidiary's financial statements to identify whether its net tangible assets, being an approximation of its minimum recoverable amount, were in excess of its carrying amount and assessing whether the subsidiary has historically been profit-making. **Our results:** We found the parent Company's assessment of the recoverability of the investment in subsidiary to be acceptable (2023: acceptable).

We continue to perform procedures over Conduct provision - Timeshare. However, following a reduction in complaints in 2024 and increased level of data available to derive assumptions resulting in a lower degree of estimation uncertainty involved, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

Independent Auditor's Report

to the members of Shawbrook Group plc

3. Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the Group financial statements as a whole was set at £12.7 m (2023: £13.5m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.3% (2023: 4.7%).

Materiality for the parent Company financial statements as a whole was set at £6.0m (2023: £4.3m), determined with reference to a benchmark of Company total assets, of which it represents 1.0% (2023: 0.7%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2023: 65%) of materiality for the financial statements as a whole, which equates to £8.3m (2023: £8.7m) for the Group and £3.9m (2023: £2.8m) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.6m (2023: £0.6m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ('RMMs'). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 6 components, having considered our evaluation of the Group's operational and legal structure, existence of common information systems, existence of common risk profile across entities/business units/functions/business activity and our ability to perform audit procedures centrally.

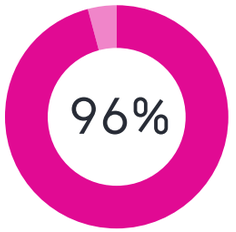
Of those, we identified 1 quantitatively significant component, which is Shawbrook Bank Limited, which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

We also performed the audit of the parent Company.

We set the component materiality for Shawbrook Bank Limited at £11.5m, having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered the following percentage of Group revenue:

Group revenue

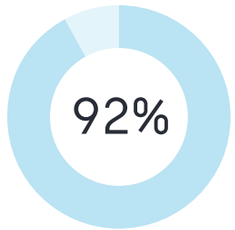


We performed audit procedures in relation to components that accounted for the following percentages of Group profit before tax and Group total assets:

Group total assets



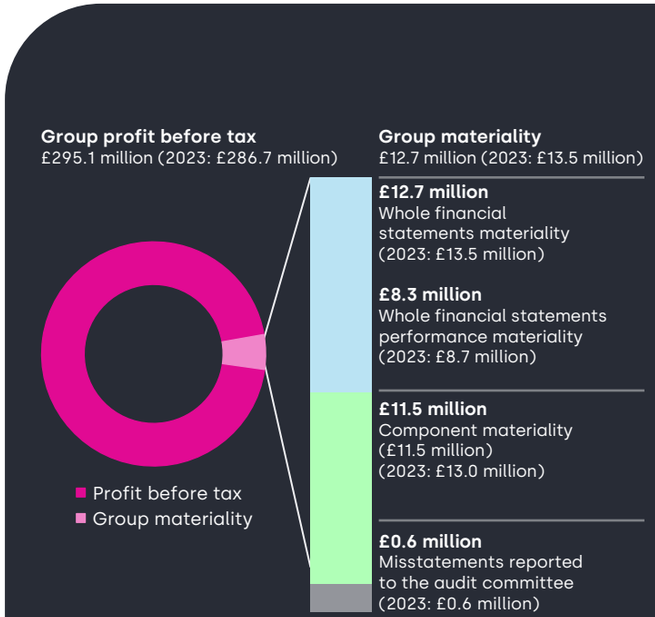
Group profit before tax



We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

Impact of controls on our group audit

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.



Independent Auditor's Report

to the members of Shawbrook Group plc

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the parent Company or to cease their operations, and as they have concluded that the Group's and the parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period'). We used our knowledge of the Group and parent Company, its industry and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and parent Company's available financial resources over this period were:

- The availability of funding and liquidity in the event of a market-wide stress scenario; and
- Insufficient regulatory capital to meet minimum regulatory capital levels.

We considered whether these risks could plausibly affect regulatory capital and liquidity in the going concern period by comparing severe, but plausible, downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in the financial statements gives a full and accurate description of the Director's assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 3 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the patent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included :

- Enquiring of directors, internal audit, executive management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, audit committee and risk committee meeting minutes;
- Considering remuneration incentive schemes and performance targets for management and directors; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as expected credit losses on loans and advances to customers and measurement of loans and advances to customers at fair value through other comprehensive income. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited complexity and judgement involved in calculation and recognition of revenue.

We also identified a fraud risk related to expected credit losses on loans and advances to customers and measurement of loans and advances at fair value through other comprehensive income due to the fact these involve significant estimation uncertainty and subjective judgements that are difficult to corroborate.

Further detail in respect of expected credit losses on loans and advances to customers and measurement of loans and advances at fair value through other comprehensive income is set out in the key audit matter disclosures in Section 2 of this report as the procedures relating to those estimates and judgements also address the risk of fraud.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries posted by senior management, journals posted to seldom used accounts, and those including a specific description; and
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias.
- evaluated the business purpose of significant unusual transactions

Independent Auditor's Report

to the members of Shawbrook Group plc

Identifying and responding to risks of material misstatement due to non- compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit .

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly , the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct (including consumer duty), money laundering and financial crime and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non- compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non- compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent Auditor's Report

to the members of Shawbrook Group plc

7. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 83, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **frc.org.uk/auditorsresponsibilities**.

9. The purpose of our audit work and to whom we owe our responsibilities

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.

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants 15 Canada Square London
E14 5GL
26 March 2025

Consolidated statement of profit and loss

for the year ended 31 December 2024

	Note	2024 £m	2023 £m
Interest income calculated using the effective interest rate method	12	**1,199.3**	946.0
Other interest and similar income	12	**187.7**	197.8
Interest expense and similar charges	13	**(796.1)**	(567.3)
Net interest income		**590.9**	576.5
Operating lease rental income		**8.7**	9.6
Depreciation on operating leases	27	**(7.4)**	(8.2)
Net other operating lease income		**0.1**	0.1
Net operating lease income		**1.4**	1.5
Fee and commission income	14	**16.2**	16.9
Fee and commission expense	14	**(16.1)**	(12.6)
Net fee and commission income	14	**0.1**	4.3
Net gains on structured asset sales	15	**14.1**	–
Net gains on derivative financial instruments and hedge accounting	26	**1.9**	5.1
Net other operating income/(expense)		**1.4**	(0.9)
Net operating income		**609.8**	586.5
Administrative expenses	16	**(252.8)**	(226.6)
Impairment losses on financial assets	20	**(67.2)**	(60.1)
Provisions	34	**5.3**	(13.1)
Total operating expenses		**(314.7)**	(299.8)
Profit before tax		**295.1**	286.7
Tax	21	**(75.2)**	(74.6)
Profit after tax, attributable to owners		**219.9**	212.1

The notes on pages 189 to 243 are an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2024

	Note	2024 £m	2023 £m
Profit after tax		**219.9**	212.1
Items that may be reclassified subsequently to the statement of profit and loss:			
Cash flow hedging reserve			
Net gains/(losses) from effective portion of changes in fair value	26	**17.6**	(23.1)
Reclassifications to statement of profit and loss	26	**(6.2)**	(6.8)
Related tax	29	**(3.2)**	8.0
Movement in cash flow hedging reserve		**8.2**	(21.9)
Fair value through other comprehensive income reserve			
Net gains from changes in fair value		**35.6**	9.9
Change in loss allowance	20	**5.3**	4.3
Related tax	29	**(11.0)**	(3.8)
Movement in fair value through other comprehensive income reserve		**29.9**	10.4
Total items that may be reclassified subsequently to the statement of profit and loss		**38.1**	(11.5)
Other comprehensive income/(expense), net of tax		**38.1**	(11.5)
Total comprehensive income, attributable to owners		**258.0**	200.6

The notes on pages 189 to 243 are an integral part of these financial statements.

Consolidated and Company statement of financial position

for the year ended 31 December 2024

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Assets					
Cash and balances at central banks	22	**2,244.7**	2,188.1	–	–
Loans and advances to banks	22	**304.4**	480.7	–	–
Loans and advances to customers	23	**15,176.6**	13,279.3	–	–
Investment securities	25	**1,513.6**	822.1	–	–
Derivative financial assets	26	**227.1**	252.7	–	–
Current tax receivable		**14.5**	–	**0.4**	–
Property, plant and equipment	27	**65.5**	40.5	–	–
Intangible assets	28	**124.0**	107.2	–	–
Deferred tax assets	29	**16.0**	35.7	–	–
Other assets	30	**36.3**	29.9	**0.4**	–
Investment in subsidiaries	31	–	–	**432.5**	431.8
Subordinated debt receivable	38	–	–	**172.1**	189.9
Total assets		**19,722.7**	17,236.2	**605.4**	621.7
Liabilities					
Amounts due to banks	32	**1,376.1**	1,405.0	–	–
Customer deposits	33	**15,804.0**	13,562.7	–	–
Provisions	34	**11.5**	15.9	–	–
Derivative financial liabilities	26	**117.1**	184.5	–	–
Debt securities in issue	35	**549.2**	462.8	–	–
Current tax liabilities		–	1.4	–	–
Lease liabilities	36	**25.6**	6.1	–	–
Other liabilities	37	**85.8**	70.6	**8.0**	7.4
Subordinated debt liability	38	**171.1**	188.5	**171.1**	188.5
Total liabilities		**18,140.4**	15,897.5	**179.1**	195.9

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Equity					
Share capital	40	**2.5**	2.5	**2.5**	2.5
Share premium account		**87.3**	87.3	**87.3**	87.3
Capital securities	41	**123.1**	123.1	**123.1**	123.1
Capital contribution reserve		**19.9**	19.9	**19.9**	19.9
Cash flow hedging reserve		**12.7**	4.5	–	–
Fair value through other comprehensive income reserve		**29.6**	(0.3)	–	–
Retained earnings		**1,307.2**	1,101.7	**193.5**	193.0
Total equity		**1,582.3**	1,338.7	**426.3**	425.8
Total equity and liabilities		**19,722.7**	17,236.2	**605.4**	621.7

The Company's profit for the year 2024 was £14.9 million (2023: £16.4 million).

The notes on pages 189 to 243 are an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 26 March 2025 and were signed on its behalf by:

Marcelino Castrillo
Chief Executive Officer

Dylan Minto
Chief Financial Officer

Registered number 07240248

Consolidated statement of changes in equity

for the year ended 31 December 2024

	Share capital £m	Share premium account £m	Capital securities £m	Capital contribution reserve £m	Cash flow hedging reserve £m	FVOCI reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2024	**2.5**	**87.3**	**123.1**	**19.9**	**4.5**	**(0.3)**	**1,101.7**	**1,338.7**
Profit for the year	–	–	–	–	–	–	**219.9**	**219.9**
Movement in cash flow hedging reserve	–	–	–	–	**8.2**	–	–	**8.2**
Movement in fair value through other comprehensive income reserve	–	–	–	–	–	**29.9**	–	**29.9**
Total comprehensive income	–	–	–	–	**8.2**	**29.9**	**219.9**	**258.0**
Equity-settled share-based payments	–	–	–	–	–	–	**0.7**	**0.7**
Coupon paid on capital securities	–	–	–	–	–	–	**(15.1)**	**(15.1)**
Capital contribution	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–	–
As at 31 December 2024	**2.5**	**87.3**	**123.1**	**19.9**	**12.7**	**29.6**	**1,307.2**	**1,582.3**

	Share capital £m	Share premium account £m	Capital securities £m	Capital contribution reserve £m	Cash flow hedging reserve £m	FVOCI reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2023	2.5	87.3	122.9	5.6	26.4	(10.7)	905.8	1,139.8
Profit for the year	–	–	–	–	–	–	212.1	212.1
Movement in cash flow hedging reserve	–	–	–	–	(21.9)	–	–	(21.9)
Movement in fair value through other comprehensive income reserve	–	–	–	–	–	10.4	–	10.4
Total comprehensive income	–	–	–	–	(21.9)	10.4	212.1	200.6
Equity-settled share-based payments	–	–	–	–	–	–	0.7	0.7
Coupon paid on capital securities	–	–	–	–	–	–	(16.9)	(16.9)
Capital contribution	–	–	–	14.3	–	–	–	14.3
Other movements	–	–	0.2	–	–	–	–	0.2
As at 31 December 2023	2.5	87.3	123.1	19.9	4.5	(0.3)	1,101.7	1,338.7

The notes on pages 189 to 243 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2024

	Share capital £m	Share premium account £m	Capital securities £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2024	**2.5**	**87.3**	**123.1**	**19.9**	**193.0**	**425.8**
Profit for the year	–	–	–	–	**14.9**	**14.9**
Total comprehensive income	–	–	–	–	**14.9**	**14.9**
Equity-settled share-based payments	–	–	–	–	**0.7**	**0.7**
Coupon paid on capital securities	–	–	–	–	**(15.1)**	**(15.1)**
Capital contribution	–	–	–	–	–	–
Other movements	–	–	–	–	–	–
As at 31 December 2024	**2.5**	**87.3**	**123.1**	**19.9**	**193.5**	**426.3**

	Share capital £m	Share premium account £m	Capital securities £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
As at 1 January 2023	2.5	87.3	122.9	5.6	192.8	411.1
Profit for the year	–	–	–	–	16.4	16.4
Total comprehensive income	–	–	–	–	16.4	16.4
Equity-settled share-based payments	–	–	–	–	0.7	0.7
Coupon paid on capital securities	–	–	–	–	(16.9)	(16.9)
Capital contribution	–	–	–	14.3	–	14.3
Other movements	–	–	0.2	–	–	0.2
As at 31 December 2023	2.5	87.3	123.1	19.9	193.0	425.8

The notes on pages 189 to 243 are an integral part of these financial statements.

Consolidated and Company statement of cash flows

for the year ended 31 December 2024

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Cash flows from operating activities					
Profit before tax		**295.1**	286.7	**14.9**	16.4
Adjustments for non-cash items and other adjustments included in the statement of profit and loss	42	**82.7**	73.5	**0.4**	0.4
(Increase)/decrease in operating assets	42	**(1,544.0)**	(2,494.5)	**(0.4)**	0.1
Increase in operating liabilities	42	**2,182.3**	2,738.3	**0.6**	0.5
Tax (paid)/ recovered		**(85.5)**	(88.1)	**(0.4)**	0.4
Net cash generated from operating activities		**930.6**	515.9	**15.1**	17.8
Cash flows from investing activities					
Purchase of investment securities		**(898.8)**	(365.4)	–	–
Disposals and maturities of investment securities		**184.0**	211.6	–	–
Purchase of property, plant and equipment		**(2.7)**	(0.9)	–	–
Purchase and development of intangible assets		**(15.1)**	(14.5)	–	–
Purchase of subordinated debt		–	–	–	(90.0)
Redemption of subordinated debt receivable		–	–	**20.0**	–
Investment in right-of-use asset		**(6.9)**	–	–	–
Purchase of subsidiary, net of cash acquired[1]		–	(8.8)	–	–
Net cash (used by)/generated from investing activities		**(739.5)**	(178.0)	**20.0**	(90.0)

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Cash flows from financing activities					
Decrease in amounts due to banks		**(28.9)**	(93.7)	–	–
Issue of debt securities		**250.0**	200.0	–	–
Repurchase and redemption of debt securities		**(453.7)**	(170.3)	–	–
Costs arising on issue of debt securities		**(1.0)**	(0.2)	–	–
Payment of principal portion of lease liabilities		**(2.2)**	(2.3)	–	–
Issue of subordinated debt		–	90.0	–	90.0
Redemption of subordinated debt		**(20.0)**	–	**(20.0)**	–
Costs arising on issue of subordinated debt		–	(1.0)	–	(1.0)
Capital contribution		–	14.3	–	–
Coupon paid to holders of capital securities		**(15.1)**	(16.9)	**(15.1)**	(16.9)
Net cash (used by)/generated from financing activities		**(270.9)**	19.9	**(35.1)**	72.1
Net (decrease)/increase in cash and cash equivalents		**(79.8)**	357.8	–	(0.1)
Cash and cash equivalents as at 1 January	22	**2,628.9**	2,271.1	–	0.1
Cash and cash equivalents as at 31 December	22	**2,549.1**	2,628.9	–	–
Additional information on operational cash flows from interest					
Interest paid		**(747.5)**	(416.8)	**(16.3)**	(8.1)
Interest received		**1,396.7**	1,106.6	**16.3**	8.1

The notes on pages 189 to 243 are an integral part of these financial statements.

1 In 2024, purchase of subsidiary, net of cash acquired, includes the elimination of a £14.3 million intercompany loan issued by the Group to settle the JBR Auto Holdings Limited's shareholder debt and class A preference shares.

Notes to the financial statements

for the year ended 31 December 2024

1. Reporting entity

Shawbrook Group plc (the 'Company') is a public limited company incorporated and domiciled in the UK. The Company is registered in England and Wales (company number 07240248) and the registered office is Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex, CM13 3BE.

The consolidated financial statements comprise the results of the Company and its subsidiaries (together, the 'Group'), including its principal subsidiary, Shawbrook Bank Limited. Details of subsidiary companies included in the Group are provided in Note 44.

The ultimate parent company is Marlin Bidco Limited, as detailed in Note 43.

The principal activities of the Group are lending and savings. Further details regarding the nature of the Group's operations are provided in the Strategic Report.

2. Basis of accounting and measurement

Both the consolidated and Company financial statements are prepared in accordance with UK-adopted international accounting standards, as defined by the UK Endorsement Board. New and revised standards and interpretations adopted by the Group during the year are detailed in Note 6. Material accounting policies applied by the Group are detailed in Note 7.

The reporting period for the consolidated and Company financial statements is the 12 months ended 31 December 2024.

No individual statement of profit and loss or related notes are presented for the Company, as permitted by Section 408 of the Companies Act 2006.

The financial statements are prepared on a going concern basis (see Note 3) and on a historical cost basis, except for the following material items, which are carried at fair value: derivative financial instruments and certain loan receivables measured at fair value through other comprehensive income (FVOCI).

3. Going concern

The financial statements are prepared on a going concern basis. To assess the appropriateness of this basis, the Directors considered a wide range of information relating to present and future conditions, including the Group's current financial position and future projections of profitability, cash flows and capital resources. The Directors also considered the Group's risk assessment framework and potential impacts that the top and emerging risks identified (see page 92 of the Risk Report) may have on the Group's financial position and longer-term strategy.

The Group continues to have a proven business model, as demonstrated by its continued levels of profitability, and remains well positioned in each of its core markets. The Directors believe the Group is well capitalised and securely funded, with appropriate levels of liquidity. The risks that we considered most likely to adversely affect the availability of financial resources were:

- a rapid increase or decrease in interest rates in response to a macroeconomic stress resulting in a capital stress through increased credit risk losses, increased capital requirements following asset price reductions, and net interest margin compression; and
- the availability of sufficient liquidity in the event of a market-wide or idiosyncratic stress.

The Directors have reviewed the Group's capital and liquidity plans, which have been stress tested under a range of severe but plausible scenarios as part of the annual planning process and annual assessments of the adequacy of capital and liquidity. Under all these scenarios, the Group demonstrated that it had the resources to meet its obligations over the forecast period and maintain a surplus over its regulatory requirements for both capital and liquidity following management actions that the Group has demonstrated that it is able to implement.

The ICAAP process includes an assessment of potential operational and conduct risks that it could face over a 12 month period. This was completed through the analysis of the likelihood and impact of a series of severe but plausible scenarios in addition to reverse stress testing. The analysis considered 11 key risk scenarios and did not highlight any factors which cast doubt on the Group's ability to continue as a going concern. The Board considers that the circumstances required to cause the Group to fail, as demonstrated by its stress testing procedures, are sufficiently remote. Based on the above, the Directors believe the Group has sufficient resources to continue its activities for a period of at least 12 months from the date of approval of these financial statements and the Group has sufficient capital and liquidity to enable it to continue to meet its regulatory requirements as set out by the PRA. Accordingly, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing these financial statements.

4. Functional and presentation currency

Both the consolidated and Company financial statements are presented in pounds sterling, which is the functional currency of the Company and all of its subsidiaries. All amounts are rounded to the nearest million (to one decimal place), except where otherwise indicated.

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the statement of profit and loss.

Non-monetary assets and liabilities measured on a historical cost basis and denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value and denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the date of valuation. Where these assets and liabilities are held at fair value through profit or loss (FVTPL), exchange differences are reported as part of the fair value gain or loss.

Notes to the financial statements

for the year ended 31 December 2024

5. Presentation of risk and capital management disclosures

Disclosures required under IFRS 7 'Financial Instruments: Disclosures' concerning the nature and extent of risks relating to financial instruments are included within the principal risks section of the Risk Report. Specifically, this section includes updates and additional information about credit risk (starting on page 104), market, liquidity and capital risk (starting on page 132). Disclosures required under IAS 1 'Presentation of Financial Statements' concerning the management of capital are also included within the principal risks section of the Risk Report (starting on page 139).

6. New and revised standards and interpretations

Adoption of new and revised standards and interpretations during the current reporting period

During the year ended 31 December 2024, several amendments to existing accounting standards came into effect and were adopted by the Group. The adopted amendments are:

- IAS 7 and IFRS 7: supplier finance arrangements;
- IFRS 16: lease liability in a sale and leaseback; and
- IAS 1: classification of liabilities as current or non-current and non-current liabilities with covenants.

None of these amendments had a significant impact on the Group.

Future developments

A number of amendments to existing accounting standards have not yet come into effect. The Group has not early adopted any of these amendments. Based on initial assessments, the upcoming amendments to be implemented for the next year would not have a material impact on the Group.

7. Material accounting policies

Except where otherwise indicated, the Group has consistently applied the following accounting policies to all periods presented in these financial statements.

a) Basis of consolidation

Subsidiaries

See disclosures at Note 44

Subsidiaries are entities, including structured entities, that are controlled by the Group. Control is achieved when the Group has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and can use its power over the entity to affect its returns. The Group reassesses whether it controls the entity if facts and circumstances indicate that there are changes to one or more of these three elements of control.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases. Accounting policies are applied consistently across the Group and intragroup transactions and balances are eliminated in full on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred and the identifiable assets acquired and liabilities assumed as part of the business combination are generally, with some limited exceptions, recognised at their acquisition date fair values.

The cost of acquisition is the aggregate of the fair value of consideration transferred, amount recognised for non-controlling interests and fair value of any previous interest held. If the cost of acquisition exceeds the fair value of identifiable net assets acquired, goodwill is recognised and is treated in accordance with the policies set out in Note 7(m). If the fair value of identifiable net assets acquired exceeds the cost of acquisition (a 'bargain purchase'), a gain is recognised in the statement of profit and loss.

Acquisition-related costs are expensed as incurred and are included in administrative expenses in the statement of profit and loss, except if related to the issue of debt or equity securities, whereby any incremental direct transaction costs are recognised as a deduction from the instrument.

b) Operating segments

See disclosures at Note 11

Operating segments are identified based on internal reports and components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance. For this purpose, the chief operating decision maker for the Group is the Executive Committee. Operating segments may be included as a reportable operating segment even when quantitative thresholds stipulated in IFRS 8 'Operating segments' are not met, if the Group deems that such information is useful to users of the financial statements in understanding the performance of the different customer segments it operates within.

The Group determines operating segments according to similar economic characteristics and the nature of its products and services. No operating segments are aggregated to form the Group's reportable operating segments.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

c) Interest income and expense

See disclosures at Note 12 and Note 13

Interest on financial instruments measured at amortised cost and fair value through other comprehensive income
For interest-bearing financial instruments measured at amortised cost or FVOCI, interest income and expense is recognised using the effective interest rate (EIR) method, which allocates interest over the expected life of the financial instrument.

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

The EIR is the rate that exactly discounts the estimated future cash flows over the expected life of the financial instrument to the gross carrying amount of a financial asset, or the amortised cost of a financial liability.

When calculating the EIR, future cash flows are estimated by considering all contractual terms of the financial instrument, excluding the loss allowance recognised on financial assets. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of the financial instrument.

For non-credit impaired financial assets (i.e. a 'Stage 1' or 'Stage 2' asset per page 105 of the Risk Report), interest income is calculated by applying the calculated EIR to the gross carrying amount of the financial asset.

For financial assets that become credit-impaired after initial recognition (i.e. a 'Stage 3' asset per page 105 of the Risk Report), interest income is calculated by applying the calculated EIR to the amortised cost of the financial asset. If the asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition (i.e. a 'POCI' asset per page 105 of the Risk Report), interest income is calculated by applying a credit-adjusted EIR to the amortised cost of the financial asset. The calculation of interest income does not revert to the gross basis, even if the credit risk of the asset improves. For financial liabilities, interest expense is calculated by applying the calculated EIR to the amortised cost of the financial liability.

Interest on derivative financial instruments
For derivative financial instruments forming part of a qualifying hedging relationship, net interest income or expense is recognised based on the underlying hedged items. For derivative financial instruments hedging assets, the net interest income or expense is recognised in interest income. For derivative financial instruments hedging liabilities, the net interest income or expense is recognised in interest expense.

For derivative financial instruments not in a qualifying hedging relationship, interest is presented in accordance with whether it represents interest income or interest expense.

Interest on leases
Interest relating to lease and instalment credit agreements is recognised in a manner that achieves a constant rate of interest on the remaining balance of the receivable/liability.

d) Fee and commission income and expense

See disclosures at Note 14

Fee and commission income includes amounts from contracts with customers that are not included in the EIR calculation. These amounts are recognised when performance obligations attached to the fee or commission have been satisfied. The income streams included in fee and commission income all have a single performance obligation attached to them. Where income is earned from the provision of a service, such as an account maintenance fee or a non-utilisation fee, the performance obligation is deemed to have been satisfied when the service is delivered. In general, services are provided each month, thus the performance obligation is satisfied and the income recognised on a monthly basis. Where income is earned upon the execution of a significant act, such as fees for executing a payment, the performance obligation is deemed to have been satisfied and the income recognised when the act is completed.

Incremental costs incurred to generate fee and commission income are charged to fee and commission expense as they are incurred.

e) Administrative expenses

See disclosures at Note 16

Administrative expenses are recognised on an accruals basis. Accounting policies for expenses relating to intangible assets are set out in Note 7(m). Accounting policies for payroll related costs, are set out below:

Salaries and social security costs are recognised over the period the employees provide the services to which the payments relate.

Cash bonus awards are recognised to the extent that there is a present obligation to employees that can be reliably measured and are recognised over the period the employees are required to provide services.

For long-term incentive plans, benefits are recognised at the present value of the obligation at the reporting date, reflecting the best estimate of the effect of the associated performance conditions. Costs are recognised over the period until which all vesting conditions are considered to have been reasonably achieved, which takes into account the period the employees are required to provide services.

For defined contribution pension arrangements, the Group pays fixed contributions into employees' personal pension plans, with no further payment obligations once the contributions have been paid. The Group's contributions to such arrangements are recognised as an expense when they fall due.

For equity-settled share-based payments, the grant date fair value of the share-based payment transaction is recognised as an expense, with a corresponding increase in retained earnings in equity, on a straight-line basis over the period the employees become unconditionally entitled to the awards (the 'vesting period').

The grant date fair value is estimated using a generally accepted valuation method. Where there are market conditions or non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the vesting period is dependent on achieving a non-market performance condition, the length of the expected vesting period at grant date is estimated based on the most likely outcome. Subsequently, the estimated vesting period is revised until the actual outcome is known.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

The amount recognised as an expense is adjusted to reflect the number of awards for which the non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that will eventually vest.

For cash-settled share-based payments, the fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in other liabilities, over the vesting period. The fair value of the liability is remeasured at each reporting date and at the date of settlement, with any changes recognised as an expense.

In the Company's financial statements, the equity-settled share-based payment transaction is recognised as an increase in its investment in subsidiaries, with a corresponding increase in retained earnings in equity.

f) Tax

See disclosures at Note 21 and Note 29

Tax comprises current tax and deferred tax. Tax is generally recognised in the statement of profit and loss, except where it relates to items recognised directly in equity, in which case the tax is also recognised in equity. An exception to this is distributions to holders of capital securities, whereby the distribution is recognised directly in equity, but the tax relief is recognised in the statement of profit and loss, to align with where the transactions and events that generated the distributable profits are recognised.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The measurement of deferred tax reflects the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised in the statement of financial position for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

g) Cash and cash equivalents

See disclosures at Note 22

Cash and cash equivalents is the aggregate of cash and balances at central banks (less mandatory deposits with central banks), loans and advances to banks and short-term highly liquid debt securities with less than three months to maturity from the date of acquisition.

All components of cash and cash equivalents are classified as financial assets measured at amortised cost (see Note 7(t)).

Loans and advances to banks include cash collateral paid under terms that are usual and customary for such activities.

h) Loans and advances to customers

See disclosures at Note 23

Loans and advances to customers include loan receivables, finance lease receivables and instalment credit receivables.

Loan receivables are financial assets measured at either amortised cost or FVOCI (see Note 7(t)).

Finance lease receivables and instalment credit receivables are accounted for as detailed in Note 7(r). For presentational purposes, they are included within loans and advances to customers at amortised cost.

Certain assets included in loans and advances to customers are pledged as collateral under terms that are usual and customary for such activities, whilst others have been transferred to structured entities as part of securitisation transactions. These assets do not meet the derecognition criteria outlined in Note 7(t) and therefore continue to be recognised in their entirety in the statement of financial position.

Certain loans are designated as the hedged item in hedge relationships. The total carrying amount of loans and advances to customers includes the cumulative fair value adjustment to the carrying amount of the hedged item in relation to fair value hedges (see Note 7(l)).

i) Securitisation transactions

See disclosures at Note 24 and Note 35

Certain loans included within loans and advances to customers are securitised, by transferring the beneficial interest in the loans to a bankruptcy remote structured entity. A structured entity is an entity designed so that its activities are not governed by way of voting rights.

An assessment is performed to determine whether the Group controls such structured entities, in accordance with the criteria set out in Note 7(a). In performing this assessment, factors considered include: the purpose and design of the entity; its practical ability to direct the relevant activities of the entity; the nature of the relationship with the entity; and the size of its exposure to the variability of returns of the entity. Where the Group is assessed to control the structured entity, it is treated as a subsidiary and is fully consolidated.

A further assessment is performed to determine whether the securitised loans meet the derecognition criteria outlined in Note 7(t). If the derecognition criteria are met, the transferred loans are treated as sales, referred to as 'structured asset sales' and a gain or loss on derecognition is recognised in the statement of profit and loss. If the derecognition criteria are not met, the transfer of loans is not treated as a sale and the loans continue to be recognised in their entirety in the statement of financial position.

Securitisations involve the simultaneous issue of debt securities by the associated structured entity to investors. In securitisation transactions where the structured entity is consolidated, the issued debt securities are classified on initial recognition as financial liabilities, as the substance of the contractual arrangements are such that there is an obligation to deliver the cash flows generated from the underlying securitised loans to the debt security holder.

These financial liabilities are measured at amortised cost (see Note 7(t)) and are presented in debt securities in issue in the statement of financial position.

Certain debt securities issued by structured entities are retained by the Group. Where retained debt securities are issued by consolidated structured entities, they are eliminated in full on consolidation. Where retained debt securities are issued by unconsolidated structured entities, they are recognised in investment securities in the statement of financial position.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

j) Investment securities

See disclosures at Note 25

Investment securities are classified as financial assets measured at amortised cost (see Note 7(t)).

Certain investment securities are pledged as collateral under terms that are usual and customary for such activities. These assets do not meet the derecognition criteria outlined in Note 7(t) and therefore continue to be recognised in their entirety in the statement of financial position.

Investment securities may be sold subject to a commitment to repurchase them at a predetermined price (a 'repurchase agreement'). The terms of these transactions are such that the derecognition criteria outlined in Note 7(t) are not met and, accordingly, the sold assets continue to be recognised in their entirety in the statement of financial position.

Consideration received as part of repurchase agreements is recognised as a liability in amounts due to banks in the statement of financial position, reflecting that there is an obligation to repurchase the assets for a fixed price at a future date. The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreement using the EIR method.

Investment securities may also be swapped via linked repurchase and reverse repurchase agreements with the same counterparty (a 'security swap'). In such transactions, no cash consideration is exchanged, the transferred assets are not derecognised and there is no associated liability as the non-cash collateral received is not recognised in the statement of financial position (i.e. the transaction is off-balance sheet). Net fees are treated as interest and are accrued over the life of the agreement using the EIR method.

k) Derivative financial instruments

See disclosures at Note 26

Derivative financial instruments are classified as FVTPL (see Note 7(t)). Derivatives are classified as financial assets when their fair value is positive and financial liabilities when their fair value is negative. Where there is the legal right and intention to settle net, the derivative is classified as a net asset or net liability, as appropriate.

To calculate fair values, discounted cash flow models using yield curves that are based on observable market data are typically used. For collateralised positions, discount curves based on overnight indexed swap rates are used. For non-collateralised positions, discount curves based on Sterling Overnight Index Average rate (SONIA) are used.

For measuring derivatives that might change the classification from being an asset to a liability or vice versa, fair values do not take into consideration the credit valuation adjustment, debit valuation adjustment or the funding valuation adjustment because the impact on any uncollateralised position is deemed to be immaterial.

Where derivatives are not designated as part of an accounting hedge relationship, gains and losses arising from changes in the clean fair value are recognised in net gains/(losses) on derivative financial instruments and hedge accounting in the statement of profit and loss. Where derivatives are designated within an accounting hedge relationship, the treatment of the changes in fair value are as described in Note 7(l).

The Group enters into master netting and margining agreements with derivative counterparties.

In general, under such master netting agreements, the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding under the agreement are aggregated into a single net amount payable by one party to the other.

In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are aggregated into a single net amount payable by one party to the other and the agreements terminated.

Under margining agreements, where there is a net asset position valued at current market values in respect of derivatives with a counterparty, then that counterparty will place collateral, usually cash, with the Group to cover the position. Similarly, where there is a net liability position, the Group will place collateral, usually cash, with the counterparty.

l) Hedge accounting

See disclosures at Note 26

The Group has elected, as an accounting policy choice permitted under IFRS 9 'Financial Instruments', to continue to apply the hedge accounting rules set out in IAS 39 'Financial Instruments – Recognition and measurement'. However, additional hedge accounting disclosures introduced by IFRS 9's consequential amendments to IFRS 7 are provided.

Hedge accounting is permitted when documentation, eligibility and testing criteria are met. Accordingly, at the inception of a hedge relationship, the Group formally designates and documents the hedge relationship that it wishes to apply hedge accounting to and the risk management objective and strategy for undertaking the hedge. The method to be used to assess the effectiveness of the hedge relationship is also documented.

At inception, and on a monthly basis thereafter, an assessment is performed to determine whether the hedging instrument is highly effective in offsetting changes in the fair value or cash flows of the hedged item. For this assessment, the dollar-offset method is used, except for trades designated in dynamic hedge accounting relationships, whereby the regression method is used. The hedge is deemed to be highly effective where the actual results of the hedge are within a range of 80-125%. If it is concluded that the hedge is no longer highly effective, hedge accounting is discontinued.

The Group's hedging strategy incorporates the use of both fair value hedges and cash flow hedges, as detailed below:

Fair value hedges

Certain derivatives are designated as hedging instruments to hedge interest rate risk. The hedged items are portfolios of loans and advances to customers or customer deposits that are identified as part of the risk management process.

The portfolios comprise either fixed rate loans, or fixed rate deposits, in respect of the designated benchmark interest rate (e.g. SONIA). Each portfolio is grouped into repricing time periods based on expected repricing dates, by scheduling cash flows into the periods in which they are expected to occur. The hedging instruments are designated to those repricing time periods.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

Changes in the fair value of the derivatives designated as hedging instruments, together with changes in the fair value of the hedged item attributable to the hedged risk, are recognised in net gains/(losses) on derivative financial instruments and hedge accounting in the statement of profit and loss. Movement in the fair value of the hedged item is recognised as an adjustment to the carrying amount of the hedged asset or liability.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. The cumulative fair value adjustment to the carrying amount of the hedged item is amortised to the statement of profit and loss over the remaining period to maturity.

If the hedged item is derecognised, the cumulative fair value adjustment to the carrying amount of the hedged item is recognised immediately in the statement of profit and loss.

Cash flow hedges

Certain derivatives are designated as hedging instruments to hedge variability in cash flows attributable to interest rate risk. The hedged cash flows may be highly probable future cash flows attributable to a recognised asset or liability, or a highly probable forecast transaction.

The effective portion of changes in the fair value of derivatives designated as hedging instruments is recognised in other comprehensive income and is presented in the cash flow hedging reserve in the statement of financial position. The ineffective portion is recognised immediately in the statement of profit and loss in net gains/(losses) on derivative financial instruments and hedge accounting. The carrying amount of the hedged item is not adjusted.

Amounts accumulated in the cash flow hedging reserve are reclassified to the statement of profit and loss in the periods in which the hedged cash flows affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in the cash flow hedging reserve and is subsequently reclassified to the statement of profit and loss when the forecast transaction affects profit or loss.

When a forecast transaction is no longer expected to occur, any cumulative gain or loss included in the cash flow hedging reserve is immediately reclassified to the statement of profit and loss. When reclassifying amounts to the statement of profit and loss they are recognised in net gains/(losses) on derivative financial instruments and hedge accounting.

m) Intangible assets and amortisation

See disclosures at Note 28

Goodwill

Goodwill may arise on the acquisition of subsidiaries and represents the excess of the cost of acquisition over the fair value of identifiable net assets acquired. Goodwill is stated at cost less any accumulated impairment losses.

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that impairment may exist. For the purpose of impairment testing, goodwill is allocated to cash generating units (CGUs). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If the carrying amount of a CGU exceeds the recoverable amount, an impairment loss is recognised in administrative expenses in the statement of profit and loss.

Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. For externally acquired intangible assets, cost includes the original purchase price of the asset and any directly attributable costs of preparing the asset for its intended use. For internally developed intangible assets, cost includes all costs directly attributable in preparing the asset so that it is capable of operating in its intended manner.

For internally developed intangible assets costs may only be capitalised when it can be demonstrated that: the expenditure can be reliably measured; the product or process is technically and commercially feasible; future economic benefits are probable; and there is the intention and ability to complete development and subsequently use or sell the asset. Until the point that all conditions are regarded as met, costs are recognised in administrative expenses in the statement of profit and loss as incurred.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset it relates to. All other expenditure is recognised in administrative expenses in the statement of profit and loss as incurred.

Amortisation is calculated to write off the cost of the asset less its estimated residual value on a straight-line basis over its estimated useful life and is charged to administrative expenses in the statement of profit and loss. The estimated useful life is three to seven years. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Assets are reviewed for indicators of impairment at each reporting date and if indicators are present, an impairment review is performed. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in administrative expenses in the statement of profit and loss.

On the disposal of an asset, the net disposal proceeds are compared with the carrying amount of the asset and any gain or loss included in administrative expenses in the statement of profit and loss.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

n) Investment in subsidiaries

See disclosures at Note 31

The Company's investments in controlled entities are valued at cost less any accumulated impairment losses.

Investments are reviewed for indicators of impairment at each reporting date and if indicators are present, an impairment review is performed. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in the statement of profit and loss.

o) Amounts due to banks

See disclosures at Note 32

Amounts due to banks are classified as financial liabilities measured at amortised cost (see Note 7(t)).

Amounts due to banks may include liabilities recognised as part of repurchase agreements (see Note 7(j)) and cash collateral received under terms that are usual and customary for such activities.

p) Customer deposits

See disclosures at Note 33

Customer deposits are classified as financial liabilities measured at amortised cost (see Note 7(t)).

Certain deposits are designated as the hedged item in hedge relationships. The total carrying amount of customer deposits includes the cumulative fair value adjustment to the carrying amount of the hedged item in relation to fair value hedges (see Note 7(l)).

q) Provisions

See disclosures at Note 34

Provisions are recognised when there is a present obligation arising as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

Provisions for levies are recognised when the conditions that trigger the payment of the levy are met.

When it is expected that some or all of a provision will be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Provisions also include the loss allowance recognised on loan commitments (see Note 7(u)).

r) Leases

See disclosures at Note 36

Group as a lessor: finance leases
Lease and instalment credit agreements in which the Group transfers substantially all the risks and rewards of ownership of the underlying asset to the lessee are treated as finance leases.

A receivable equal to the net investment in the lease is recognised in loans and advances to customers in the statement of financial position. This amount represents the future lease payments less profit and costs allocated to future periods. The receivable is subject to impairment, as detailed in Note 7(u).

Lease payments are apportioned between interest income in the statement of profit and loss and a reduction of the receivable in order to achieve a constant rate of interest on the remaining balance of the receivable.

Group as a lessor: operating leases
Lease agreements in which the Group does not transfer substantially all the risks and rewards of ownership of the underlying asset to the lessee are treated as operating leases.

The leased asset is recognised in property, plant and equipment in the statement of financial position at the lower of its fair value less costs to sell and the carrying amount of the lease (net of impairment allowance) at the date of exchange.

Depreciation is calculated to write off the cost of the asset less its estimated residual value on a straight-line basis over the life of the lease and is charged to depreciation on operating leases in the statement of profit and loss.

Assets are reviewed for indicators of impairment at each reporting date and if indicators are present, an impairment review is performed. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in net other operating lease income/(expense) in the statement of profit and loss.

Operating lease rental income is recognised in the statement of profit and loss on a straight-line basis over the lease term.

Where an agreement is classified as an operating lease at inception but is subsequently reclassified as a finance lease following a change to the agreement or an extension beyond the primary term, then the agreement is accounted for as a finance lease.

Group as a lessee
At the lease commencement date a right-of-use asset and a lease liability is recognised.

s) Subordinated debt

See disclosures at Note 38

Subordinated debt liabilities are classified as financial liabilities measured at amortised cost (see Note 7(t)).

Subordinated debt receivables in the Company are classified as financial assets measured at amortised cost (see Note 7(t)).

t) Financial assets and financial liabilities

See disclosures at Note 39

Recognition of financial assets and financial liabilities
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date.

Classification and measurement of financial assets
To classify financial assets, two assessments are performed:

- **The 'business model assessment':** this assessment determines whether the Group's objective is to generate cash flows from collecting contractual cash flows ('hold-to-collect'), by both collecting contractual cash flows and selling financial assets ('hold-to-collect-and-sell') or neither. The assessment is performed at a portfolio level and is based on expected scenarios. In making this assessment, information considered includes: sales in prior periods, expected sales in future periods and the reasons for such sales. If cash flows are realised in a manner that is different from the original expectation, the classification of the remaining financial assets in that portfolio is not changed, but such information is used when assessing new financial assets going forward.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

- **The 'SPPI test':** this assessment determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI) (i.e. whether the contractual cash flows are consistent with a basic lending arrangement). For the purposes of this test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin. The SPPI test is performed at an instrument level based on the contractual terms of the instrument at initial recognition. In performing the SPPI test, terms that could change the contractual cash flows so that they are not SPPI are considered, such as: contingent and leverage features, non-recourse arrangements and features that could modify the time value of money.

Based on the two assessments, financial assets are classified as amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), as follows:

- **Amortised cost**: when the financial asset is held in a hold-to-collect business model and its contractual terms give rise on specified dates to cash flows that are SPPI.
- **FVOCI**: when the financial asset is held in a hold-to-collect-and-sell business model and its contractual terms give rise on specified dates to cash flows that are SPPI.
- **FVTPL**: when the financial asset does not meet the criteria to be classified as amortised cost or FVOCI.

Derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For financial assets that meet the requirements to be classified as amortised cost or FVOCI, on initial recognition, the Group may irrevocably designate the financial asset as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in equity instruments are normally classified as FVTPL. However, on initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect, on an investment-by-investment basis, to present subsequent changes in fair value in the statement of other comprehensive income.

After initial recognition, financial assets are reclassified only under the rare circumstances that the Group changes its business model for managing financial assets.

Financial assets classified as amortised cost are initially measured at fair value plus incremental direct transaction costs. Subsequent measurement is at amortised cost using the EIR method (see Note 7(c)). Amortised cost is reduced by impairment losses (see Note 7(u)). Interest income, foreign exchange gains and losses and impairment losses are recognised in the statement of profit and loss.

Financial assets classified as FVOCI are initially measured at fair value plus incremental direct transaction costs. Subsequent measurement is at fair value, with changes in fair value recognised in other comprehensive income and presented in the FVOCI reserve in the statement of financial position. Interest income, foreign exchange gains and losses and impairment losses are recognised in the statement of profit and loss.

Financial assets classified as FVTPL are initially measured at fair value and are subsequently remeasured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit and loss.

Classification and measurement of financial liabilities
Financial instruments are classified as a financial liability when the substance of the contractual arrangements result in the Group having a present obligation to deliver cash, another financial asset or a variable number of equity instruments.

Financial liabilities are classified at initial recognition as FVTPL or amortised cost as follows:

- **FVTPL:** when the financial liability meets the definition of held for trading, or when the financial liability is designated as such to eliminate or significantly reduce an accounting mismatch that would otherwise arise.
- **Amortised cost:** when the financial liability is not classified as FVTPL.

Financial liabilities classified as FVTPL are initially measured at fair value and are subsequently remeasured at fair value. Net gains and losses, including any interest, are recognised in the statement of profit and loss.

Financial liabilities classified as amortised cost are initially measured at fair value minus incremental direct transaction costs. Subsequent measurement is at amortised cost using the EIR method (see Note 7(c)). Interest expense is recognised in the statement of profit and loss.

Derecognition of financial assets and financial liabilities
Derecognition is the point at which the Group ceases to recognise a financial asset or a financial liability on its statement of financial position.

A financial asset (or a part of a financial asset) is derecognised when:

- the contractual rights to the cash flows from the financial asset have expired;
- the financial asset is transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or
- the financial asset is transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are neither transferred nor retained and control of the asset is not retained. If control of the asset is retained, the transferred asset continues to be recognised only to the extent of the Group's continuing involvement, with the remainder being derecognised.

A financial liability (or a part of a financial liability) is derecognised when the contractual obligations are extinguished (i.e. discharged, cancelled, or expired).

On derecognition, the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration received/paid (including any new asset obtained less any new liability assumed) is recognised in the statement of profit and loss.

For financial assets classified as FVOCI, any gains/losses accumulated in the FVOCI reserve are reclassified to the statement of profit and loss.

Modification of financial assets and financial liabilities
When a financial asset or financial liability is modified, a quantitative and qualitative evaluation is performed to assess whether or not the new terms are substantially different to the original terms.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

For financial assets, the Group considers the specific circumstances including:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that substantially affects the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate; and
- insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

For financial liabilities, the Group specifically, but not exclusively, considers the outcome of the '10% test'. This involves a comparison of the cash flows before and after the modification, discounted at the original EIR, whereby a difference of more than 10% indicates the modification is substantial.

If the terms and cash flows of the modified financial instrument are deemed to be substantially different, the derecognition criteria are met and the original financial instrument is derecognised and a 'new' financial instrument is recognised at fair value. The difference between the carrying amount of the derecognised financial instrument and the new financial instrument with modified terms is recognised in the statement of profit and loss.

If the terms and cash flows of the modified financial instrument are not deemed to be substantially different, the financial instrument is not derecognised and the Group recalculates the 'new' gross carrying amount of the financial instrument based on the revised cash flows of the modified financial instrument discounted at the original EIR and recognises any associated gain or loss in the statement of profit and loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the financial instrument and are amortised over the remaining term of the modified financial instrument by recalculating the EIR on the financial instrument.

In relation to financial assets, where a modification is granted due to the financial difficulty of the borrower, the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. Under such circumstances, it is first considered whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and usually means the derecognition criteria are not met.

Since 1 January 2021, the Group has applied 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'. The amendments provide a practical expedient that allows a change in the basis of determining the contractual cash flows of a financial instrument required by the reform to be accounted for by updating the EIR, rather than applying the modification policy outlined above. This practical expedient is only applied where the change to the contractual cash flows is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis. In the event changes are in addition to those required by the reform, the practical expedient is applied first, after which the usual accounting policy for modifications outlined above is applied.

Fair value of financial assets and financial liabilities

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Where possible, fair value is determined with reference to quoted prices in an active market or dealer price quotations. 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. Where quoted prices are not available, generally accepted valuation techniques are used to estimate fair value, including discounted cash flow models and Black-Scholes option pricing. Where possible these valuation techniques use independently sourced market parameters, such as interest rate yield curves, option volatilities and currency rates.

On initial recognition, the best evidence of the fair value of a financial instrument is normally transaction price (i.e. the fair value of the consideration given or received). If it is determined that the fair value on initial recognition differs from the transaction price, such differences are accounted for as follows:

- if fair value is evidenced 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, the difference is recognised in the statement of profit and loss on initial recognition (i.e. day one profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day one profit or loss will be deferred by including it in the initial carrying amount of the asset or liability). Subsequently, the deferred gain or loss will be released to the statement of profit and 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.

If an asset or liability measured at fair value has a bid price and an ask price, assets are measured at bid price and liabilities are measured at ask price.

A fair value hierarchy is used that categorises financial assets and financial liabilities into three different levels, as detailed in Note 39(b). Levels are reviewed at each reporting date to determine whether transfers between levels are required.

Further details of the fair value calculation of derivative financial instruments are set out in Note 7(k).

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

Notes to the financial statements

for the year ended 31 December 2024

7. Material accounting policies (continued)

u) Impairment of financial assets

See disclosures at Note 20

Impairment of financial assets is calculated using a forward-looking expected credit loss (ECL) model. ECLs are an unbiased probability-weighted estimate of credit losses determined by evaluating a range of possible outcomes. A summary of ECL measurement is as follows:

- **Financial assets that are not credit-impaired at the reporting date:** as the present value of all cash shortfalls. Cash shortfalls are the difference between the contractual cash flows due and the cash flows that are expected to be received.
- **Financial assets that are credit-impaired at the reporting date:** as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original EIR.
    - **Loan commitments:** as the present value of the difference between the contractual cash flows due if the commitment is drawn down and the cash flows that are expected to be received.

ECLs are measured in a manner that reflects the time value of money and uses reasonable and supportable information that is available at the reporting date, without undue cost or effort, about past events, current conditions and forecasts of future economic conditions.

ECLs are calculated and a loss allowance recorded for all financial assets not held at FVTPL (i.e. those at amortised cost and FVOCI) and for loan commitments. Assets held at FVTPL and equity instruments are not subject to impairment.

Loss allowances are presented in the statement of financial position as follows:

- **Financial assets measured at amortised cost:** as a deduction from the gross carrying amount of the financial asset.
- **Financial assets measured at FVOCI:** in other comprehensive income in the FVOCI reserve. It does not reduce the carrying amount of the financial asset, which remains at fair value.
- **Loan commitments:** generally, as a provision.

Where a financial instrument includes both a drawn and an undrawn component, and the loss allowance on the undrawn component cannot be separately identified from the drawn component, a combined loss allowance is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross carrying amount of the drawn component is presented as a provision.

The calculation of ECLs is dependent upon the 'stage' the asset is assigned to (Stage 1, 2 or 3). The stage is determined based on changes in credit risk when comparing credit risk at initial recognition to credit risk at the reporting date, or whether the asset was purchased or originated credit-impaired (POCI).

Details of the 'staging' of assets and POCI assets, the calculation of ECLs and the key judgements and estimates associated with this, are provided in the credit risk section of the Risk Report starting on page 105.

It is possible to elect, as an accounting policy choice, to use the 'simplified approach' for trade receivables, contract assets and lease receivables. The Group has elected not to use this simplified approach.

Modifications

If a financial asset is modified, an assessment is made to determine whether it meets the derecognition criteria outlined in Note 7(t).

If the modification does not result in derecognition of the existing asset, the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the modification does result in derecognition of the existing asset, the expected fair value of the 'new' asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original EIR of the existing financial asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including in determining whether a significant increase in credit risk has occurred and whether the new financial asset is deemed to be a POCI asset.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when it is determined that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Write-offs constitute a derecognition event, as detailed in Note 7(t).

Financial assets that are written off can still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Amounts subsequently recovered on assets written off are recognised in impairment losses on financial assets in the statement of profit and loss.

v) Capital securities

See disclosures at Note 41

Capital securities are classified as equity instruments, as the substance of the contractual arrangements are such that there is no present obligation to deliver cash, another financial asset or a variable number of equity instruments. The capital securities are measured at the fair value of the proceeds from the issuance less any costs that are incremental and directly attributable to the issuance (net of applicable tax).

Distributions to holders of the capital securities are recognised when they become irrevocable and are deducted from retained earnings in equity.

w) Loan commitments

See disclosures at Note 47

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Certain uncommitted facilities are included within reported loan commitments where the terms are such that there is an obligation to the customer should the customer get into financial distress.

A loss allowance is recognised on loan commitments in accordance with the policies set out in Note 7(u). The loss allowance is included within provisions in the statement of financial position.

x) Contingent assets and contingent liabilities

See disclosures at Note 48

Contingent assets are possible assets that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group. Contingent assets are not recognised in the financial statements, but they are disclosed if an inflow of economic benefits is probable.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group. Alternatively, they are present obligations that have arisen from past events where the outflow of resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised in the financial statements, but they are disclosed unless the probability of settlement is remote.

Notes to the financial statements

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8. Critical accounting judgements and estimates

The preparation of financial statements requires the Group to make judgements and estimates that affect the application of accounting policies and the reported results and financial position.

Estimates, and the underlying assumptions driving these estimates, are reviewed by the Group on an ongoing basis. Due to the inherent uncertainty in making estimates, actual results reported in the future may differ from the amounts estimated. Revisions to estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In the reported year, the areas involving the most complex and subjective judgements, and areas where estimates are considered to have the most significant effect on the financial statements, are set out in the following sections.

a) Impairment losses on financial assets

See accounting policies at Note 7(u) and disclosures at Note 20

Impairment of financial assets is calculated using a forward-looking ECL model. The calculation and measurement of ECLs requires the use of complex judgements and represents a key source of estimation uncertainty.

Judgements
Judgements considered to have the most significant effect on amounts in the financial statements are:

- determining the stage the financial asset is allocated to and therefore whether a 12-month or lifetime ECL is recognised in the financial statements. This involves judgements over whether the financial asset has had a significant increase in credit risk since initial recognition, whether the financial asset is in default or whether the financial asset is ‘cured’; and
- application of judgemental adjustments to modelled ECLs when the Group judges that the modelled ECL amount does not adequately reflect the expected outcome.

Estimates
Underlying assumptions used in estimating ECLs that, depending on a range of factors, could result in a material adjustment in the next financial year are:

- the forward-looking economic scenarios used;
- probability weightings applied to these scenarios; and
- model assumptions used, such as the probability of default and loss given default.

Additional details of the critical judgements and estimates, including sensitivity analysis, are included in the credit risk section of the Risk Report starting on page 117 and 123, respectively.

b) Provisions for customer remediation and conduct issues

See accounting policies at Note 7(q) and disclosures at Note 34

Provisions have been recognised in respect of potential claims for instances of misrepresentation, breaches of contract or other wrongdoing by suppliers, in circumstances where the Group may have a liability under consumer credit legislation for the acts or omissions of suppliers (although the Group continues to pursue recovery from such suppliers). Calculating the amount of the provision requires judgement and represents a source of estimation uncertainty.

Judgements
The judgement considered to have the most significant effect on amounts in the financial statements is determining whether an event has occurred in the past that would result in a claim, and whether it is probable that such a claim would result in an outflow of resources for the Group.

In the current year, a specific area where significant judgement has been required relates to complaints from customers about holiday ownership (timeshare) products.

The provision made in relation to such claims where it is judged that an outflow of resources is probable.

Estimates
The timeshare model splits the portfolio into cohorts reflecting the loans that were impacted by the different outcomes of the Judicial Review. Each cohort has different assumptions (referred to as the base case) for number of complaints expected, the uphold rate and the amount of redress. For alternate scenario, where the sensitivity would result in the revised assumption being lower than the base case assumption, the sensitivity assumption has been floored at the base case assumption.

The following table sets out the underlying assumptions used in estimating the provision that, depending on a range of factors, could result in a material adjustment in the next financial year. Sensitivity analysis to illustrate the impact of, what the Group considers to be, reasonable changes to these underlying assumptions, is also provided.

Notes to the financial statements

for the year ended 31 December 2024

8. Critical accounting judgements and estimates (continued)

Assumption	Sensitivity analysis
Number of complaints In deriving this figure the Group takes into account: • the status of current claims and projected potential future claims based on existing complaint data; and • the statutory limitation period.	The impact of a +/- 5 percentage point change in the absolute number of complaints would result in a £0.6 million increase or a £0.4 million decrease in the provision, respectively.
Number of upheld claims Once the number of complaints has been estimated, it is necessary to estimate how many of these claims will be upheld. The sensitivity is driven by the fact that we have limited claims that have completed the full review process including where customers might appeal to FOS for the claim to be reviewed. Therefore the final upheld number could be higher depending on final outcomes on complaints received but not yet processed to completion.	The impact of a +/-10 percentage point change in the average uphold rate per complaint would result in a £7.3 million increase or a £6.5 million decrease in the provision, respectively.
Redress costs on upheld claims This reflects the expected average customer compensation on the estimated number of upheld claims, based on agreed redress strategies (inclusive of loan balance adjustments and cash payments). This is based on actual claim data.	The impact of a +/-10 percentage point change in the average redress per complaint would result in a £0.8 million increase or decrease in the provisions, respectively.

The Group has commenced work to pursue recoveries on timeshare products from either original suppliers or, failing that, the Group's insurers. In accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', such reimbursements are recognised as an asset only when they are virtually certain. The Group typically considers a reimbursement claim to be virtually certain once it has been accepted by the other party.

Additional information about provisions for customer remediation and conduct issues are provided in Notes 34 and 48.

c) Fair value of debt instruments measured at fair value through other comprehensive income

See accounting policies at Note 7(t) and disclosures at Note 39(b)

The Group holds certain mortgage loans that are measured at FVOCI. In valuing these loans, the Group makes use of unobservable inputs (i.e. Level 3 in the fair value hierarchy) and the calculation represents a source of estimation uncertainty.

Estimates
To calculate the fair value of the loans measured at FVOCI, the Group uses the discounted cash flow method, in which the significant unobservable inputs are the risk-adjusted discount rate and prepayment curve used.

Additional details, including sensitivity analysis, are provided in Note 39(b) starting on page 232.

9. Other judgements

a) Securitisations

See accounting policies at Note 7(i) and disclosures at Note 24

Securitisation transactions involve the transfer of certain customer loans to a structured entity. In determining the accounting treatment to be applied for such transactions the Group must perform a number of complex assessments, which necessitates the application of judgement.

Judgements
Judgements considered to have the most significant effect on amounts in the financial statements are:

- assessing whether the Group controls the structured entity and whether it should therefore be treated as a subsidiary by virtue of control and consolidated; and
- assessing whether the securitised loans should be derecognised.

The outcome of these assessments significantly impacts the resulting accounting treatment and amounts recognised in the financial statements.

In making such assessments the structure and terms of the contractual arrangements are scrutinised, with particular consideration given to matters such as: who will service and manage the securitised loans and the ownership of any 'X' notes and residual certificates issued by the structured entity (which represents the 'equity' investment in the securitised loans, giving the rights to any excess spread and the risk of losses associated with any defaults).

During the year, the Group completed two securitisation transactions. Judgement was applied to conclude that, for one transaction, the structured entity should be consolidated and the associated securitised loans retained in the statement of financial position. In the second transaction, it was determined that the structured entity should not be consolidated and the securitised loans met the criteria for derecognition from the statement of financial position. Additional details are provided in Note 24.

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for the year ended 31 December 2024

10. Acquisition of subsidiary

See accounting policies in Note 7(a)

On 30 September 2024, following the receipt of regulatory approval, Shawbrook Bank Limited, the Group's principal subsidiary, completed the acquisition of 100% of the ordinary shares of JBR Auto Holdings Limited (JBR), making JBR a wholly owned subsidiary of the Group.

JBR's principal activity is motor finance. The acquisition of JBR will strengthen the Group's presence in the motor finance sector, providing the Group with growth opportunities.

JBR has five wholly owned subsidiary companies, along with one subsidiary by virtue of control, which became an indirect subsidiary of the Group as part of this acquisition (see Note 44).

JBR commenced being consolidated as a subsidiary of the Group from 30 September 2024, the date when control transferred to the Group. In the three months of the reporting period that JBR has been a subsidiary of the Group, it has contributed net operating income of £4.5 million and a loss before tax of £0.1 million to the Group's results. If the acquisition had occurred on 1 January 2024, it is estimated that the consolidated net operating income for the Group for the year ended 31 December 2024 would have been £611.3 million and consolidated profit before tax for the Group would have been £290.1 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2024.

As detailed below, the Group has determined provisional fair values at the date of acquisition for the consideration transferred and the identifiable assets acquired and liabilities assumed. The Group continues to assess these amounts, in particular the fair value of identifiable net assets acquired, to determine if any additional information existed at the date of acquisition that would alter these amounts. This assessment will be completed by no later than 30 September 2025.

Consideration transferred
The total fair value of consideration transferred for the acquisition was £22.0 million, which includes £6.0 million on a contingent basis, to cover potential risks and mitigation relating to ongoing complaints or legal claims in connection with consumer motor finance, as outlined for the Group in Note 48.

Identifiable assets acquired and liabilities assumed
The following table sets out information about the net assets acquired at the date of acquisition, including the carrying amount, fair value adjustments recognised and the resultant fair value.

	Carrying amount £m	Fair value adjustment (See note below table) £m		Fair value £m
Cash and cash equivalents	**36.3**			**36.3**
Loans and advances to customers	**283.4**	**(1.0)**	a	**282.4**
Property, plant and equipment	**0.5**			**0.5**
Intangible assets	**1.7**	**2.0**	b	**3.7**
Other assets	**1.1**	**(0.5)**	c	**0.6**
Derivative financial liabilities	**(1.6)**			**(1.6)**
Debt securities in issue	**(289.1)**			**(289.1)**
Intercompany loan[1]	**(14.3)**			**(14.3)**
Lease liabilities	**(0.4)**			**(0.4)**
Deferred tax liabilities	**(0.5)**	**(0.5)**	d	**(1.0)**
Other liabilities	**(2.6)**	**(0.3)**	e	**(2.9)**
Total identifiable net assets acquired	**14.5**	**(0.3)**		**14.2**

Fair value adjustments per above table:

a) The net £1.0 negative fair value adjustment to loans and advances to customers comprises a £1.5 million adjustment to remove the loss allowance on acquisition, as required by acquisition accounting and a negative £2.5 million fair value adjustment. The £2.5 million adjustment includes £1.4 million positive fair value adjustment from the output of the discounted cash flow model calculations, offset by £3.9 million negative adjustment for unamortised commissions.

b) The net £2.0 million fair value adjustment to intangible assets comprises: the recognition of a £3.7 million separately identifiable intangible assets for trademark, distribution network, and technology; offset by a negative £1.7 million fair value adjustment to reduce the value of capitalised software development costs. The Group has applied the following fair value methods in calculating fair value adjustments to intangible assets: the Relief from Royalty ('RfR') method

1 Intercompany loan issued by the Group to settle the JBR Auto Holdings Limited's shareholder debt and class A preference shares.

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for the year ended 31 December 2024

10. Acquisition of subsidiary (continued)

for trademark, the cost to recreate method for JBR's technology and distribution network, and the multi-period excess earnings method ('MEEM') for customer relationships.

c) The £0.5 million negative fair value adjustment to other assets comprises a write-off of prepayment made by the Group.

d) The £0.5 million fair value adjustment to deferred tax liabilities comprises the deferred tax arising from recognition of separately identifiable intangible assets.

e) The £0.3 million fair value adjustment to other liabilities comprises an accrual of audit fees.

As detailed in 'a' above, acquisition accounting requires the acquired loans to be recognised at fair value, resulting in a £nil loss allowance on acquisition. Subsequent to initial recognition at fair value, the loans are then subject to the Group's ECL methodology, with a full loss allowance calculated. This resulted in a £0.9 million ECL charge being recognised in the statement of profit and loss immediately following the acquisition date.

Goodwill
Goodwill arising from the acquisition has been recognised as follows:

	£m
Fair value of consideration transferred	**22.0**
Fair value of identifiable net assets acquired	**(14.2)**
Goodwill recognised	**7.8**

The goodwill recognised is mainly attributable to the synergies expected to be achieved from integrating JBR into the Group.

None of the goodwill recognised is expected to be tax deductible for trading purposes.

In the year ended 31 December 2023, the Group completed an acquisition of 100% of the ordinary shares of Bluestone Mortgages Limited (BML), making it a wholly owned subsidiary. As part of the acquisition, the Group paid a total consideration of £44.7 million, recognising net assets of £21.3 million and goodwill of £23.4 million.

Acquisition related costs
In the year ended 31 December 2024, acquisition related costs of £2.5 million are recognised in administrative expenses in the statement of profit and loss.

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11. Segmental analysis

See accounting policies in Note 7(b)

The following section provides information regarding the operating segments of the Group. Substantially all of the Group's activities are in the UK and, as such, segmental analysis on geographical lines is not presented. The Group is not reliant on any single customer and therefore information about major customers is also not provided.

Operating segments
In the 2023 Annual Report and Accounts, the Group disclosed four reportable operating segments (Enterprise – Real Estate, Enterprise - SME, Consumer Lending and Retail Mortgage Brands).

In response to the organisational redesign undertaken during the year to align with the new consolidated Commercial and Retail franchise structure, the previously disclosed Enterprise franchise has been renamed 'Commercial'. The Commercial franchise includes the Group's Real Estate and SME reportable operating segments. Additionally, the previously disclosed Consumer Lending and Retail Mortgage Brands reportable operating segments have been combined into a single franchise, now referred to as 'Retail'. Consumer Lending reportable operating segment has been also renamed 'Consumer Finance'.

On 30 September 2024, the Group completed the acquisition of JBR and its subsidiaries (see Note 10). JBR's principal activity is motor finance, and since the acquisition date, the company and its subsidiaries have been reported within the Consumer reportable operating segment.

The methodology for calculating the segment results remained unchanged. Consequently, the prior year segment reporting disclosures have not been restated.

New reportable operating segments		Description
Commercial	**Real Estate**	Provides specialist commercial and residential mortgage products to professional landlords, investors and homeowners.
	SME	Provides debt-based financing solutions to support UK SMEs.
Retail	**Consumer Finance**	Provides unsecured personal loans, unsecured loans through strategic partnerships, and motor finance loans via JBR Auto Holdings Limited.
	Retail Mortgage Brands	Comprised of the Group's subsidiaries, The Mortgage Lender Limited and Bluestone Mortgages Limited. Provides residential mortgages for those with complex income profiles, including the self-employed, entrepreneurs and first-time buyers, and buy-to-let mortgages.

Any income or expense not allocated to the above reportable operating segments is included in 'Other', which does not represent a reportable operating segment.

The following tables provide summarised information regarding the results of each reportable operating segment based on the new presentation for reportable operating segments to reflect how results are provided to the chief operating decision maker. The tables have been updated to reflect the revised naming conventions for operating segments, including the prior year comparative table.

Where applicable, segment results are presented on an underlying basis, with underlying adjustments presented separately to allow reconciliation to the statutory results of the Group. Underlying adjustments are exceptional items of income or expense that are material by size and/or nature and are typically non-recurring. These items are presented separately in order to facilitate comparison of the Group's underlying performance from period to period. Further details about the underlying adjustments made are provided on page 10 of the Strategic Report.

The results for each segment are presented on a consolidated basis, as reviewed by the chief operating decision maker. Intra-group transactions between segments are minimal and are not separately disclosed. Intra-group transactions are conducted under terms that are usual and customary for such activities.

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for the year ended 31 December 2024

11. Segmental analysis (continued)

Year ended 31 December 2024	Commercial		Retail					
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m	Underlying total £m	Underlying adjustment £m	Statutory total £m
Interest and similar income	403.1	327.6	74.3	251.2	330.8	1,387.0	–	1,387.0
Interest expense and similar charges	(235.1)	(138.6)	(22.4)	(160.5)	(239.5)	(796.1)	–	(796.1)
Net interest income	168.0	189.0	51.9	90.7	91.3	590.9	–	590.9
Net operating lease income	–	1.4	–	–	–	1.4	–	1.4
Net fee and commission income/(expense)	(1.9)	10.0	(5.1)	0.4	(3.3)	0.1	–	0.1
Net gains on structured asset sales	–	–	–	14.1	–	14.1	–	14.1
Net gains on derivative financial instruments and hedge accounting	–	–	–	–	1.9	1.9	–	1.9
Net other operating expense	–	–	–	–	1.4	1.4	–	1.4
Net operating income	166.1	200.4	46.8	105.2	91.3	609.8	–	609.8
Administrative expenses	(24.0)	(40.6)	(17.4)	(39.6)	(127.2)	(248.8)	(4.0)	(252.8)
Impairment losses on financial assets	(7.9)	(25.8)	(27.8)	(5.7)	–	(67.2)	–	(67.2)
Provisions	–	–	–	–	–	–	5.3	5.3
Total operating expenses	(31.9)	(66.4)	(45.2)	(45.3)	(127.2)	(316.0)	1.3	(314.7)
Profit/(loss) before tax	134.2	134.0	1.6	59.9	(35.9)	293.8	1.3	295.1

Year ended 31 December 2023	Commercial		Retail					
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m	Underlying total £m	Underlying adjustment £m	Statutory total £m
Interest and similar income	337.2	291.1	56.9	162.1	296.5	1,143.8	–	1,143.8
Interest expense and similar charges	(185.2)	(111.4)	(13.9)	(97.9)	(158.9)	(567.3)	–	(567.3)
Net interest income	152.0	179.7	43.0	64.2	137.6	576.5	–	576.5
Net operating lease income	–	1.5	–	–	–	1.5	–	1.5
Net fee and commission income/(expense)	(2.5)	10.0	(3.4)	1.9	(1.7)	4.3	–	4.3
Net gains on derivative financial instruments and hedge accounting	–	–	–	–	5.1	5.1	–	5.1
Net other operating expense	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Net operating income	149.5	191.2	39.6	66.1	140.1	586.5	–	586.5
Administrative expenses	(25.4)	(32.5)	(15.0)	(34.4)	(115.3)	(222.6)	(4.0)	(226.6)
Impairment losses on financial assets	(15.4)	(13.6)	(27.1)	(3.9)	(0.1)	(60.1)	–	(60.1)
Provisions	–	–	(1.7)	–	–	(1.7)	(11.4)	(13.1)
Total operating expenses	(40.8)	(46.1)	(43.8)	(38.3)	(115.4)	(284.4)	(15.4)	(299.8)
Profit/(loss) before tax	108.7	145.1	(4.2)	27.8	24.7	302.1	(15.4)	286.7

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11. Segmental analysis (continued)

The following tables present summarised information about the Group's assets and liabilities based on the revised presentation of reportable operating segments. Prior period comparative information has not been restated.

Loans and advances to customers and assets on operating leases (i.e. the Group's 'loan book') are allocated to the relevant lending segments. All other assets and liabilities are allocated to 'Other'.

	Commercial		Retail			
As at 31 December 2024	**Real Estate £m**	**SME £m**	**Consumer Finance £m**	**Retail Mortgage Brands £m**	**Other £m**	**Total £m**
Assets	**6,777.7**	**3,112.7**	**880.0**	**4,436.0**	**4,516.3**	**19,722.7**
Liabilities	–	–	–	–	**(18,140.4)**	**(18,140.4)**
Net assets/(liabilities)	**6,777.7**	**3,112.7**	**880.0**	**4,436.0**	**(13,624.1)**	**1,582.3**

	Commercial		Retail			
As at 31 December 2023	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m	Total £m
Assets	6,127.3	2,729.6	603.8	3,850.1	3,925.4	17,236.2
Liabilities	–	–	–	–	(15,897.5)	(15,897.5)
Net assets/(liabilities)	6,127.3	2,729.6	603.8	3,850.1	(11,972.1)	1,338.7

12. Interest and similar income

See accounting policies in Note 7(c)

	2024 £m	2023 £m
Interest income calculated using the effective interest rate method		
Cash and balances at central banks	**135.0**	103.0
Loans and advances to customers: loan receivables measured at amortised cost	**805.9**	707.4
Loans and advances to customers: loan receivables measured at FVOCI	**193.1**	97.9
Investment securities	**65.3**	37.7
Total interest income calculated using the effective interest rate method	**1,199.3**	946.0
Other interest and similar income		
Loans and advances to customers: finance lease and instalment credit receivables	**50.5**	36.6
Derivative financial instruments	**137.2**	161.2
Total other interest and similar income	**187.7**	197.8
Total interest and similar income	**1,387.0**	1,143.8

With the exception of interest on loans and advances to customers measured at FVOCI, interest income calculated using the effective interest rate (EIR) method is attributable to financial assets measured at amortised cost.

Interest income on derivative financial instruments includes interest income of £129.0 million attributable to derivative financial instruments in qualifying hedging relationships hedging assets (2023: £122.3 million of interest income).

Notes to the financial statements

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13. Interest expense and similar charges

See accounting policies in Note 7(c)

	2024 £m	2023 £m
Amounts due to banks	**65.4**	58.5
Customer deposits	**647.0**	409.4
Derivative financial instruments	**25.1**	70.7
Debt securities in issue	**39.3**	17.8
Lease liabilities	**0.3**	0.1
Subordinated debt liability	**19.0**	10.8
Total interest expense and similar charges	**796.1**	567.3

Except for interest on derivative financial instruments and lease liabilities, amounts in the above table are calculated using the EIR method and are attributable to financial liabilities measured at amortised cost.

Interest expense on derivative financial instruments includes interest expense of £19.8 million attributable to derivative financial instruments in qualifying hedging relationships hedging liabilities (2023: £27.8 million of interest expense).

14. Net fee and commission income

See accounting policies in Note 7(d)

	2024 £m	2023 £m
Fee income on loans and advances to customers	**10.9**	12.7
Credit facility related fees	**5.3**	4.2
Fee and commission income	**16.2**	16.9
Fee and commission expense	**(16.1)**	(12.6)
Net fee and commission income	**0.1**	4.3

15. Net gains on structured asset sales

See accounting policies in Note 7(t)

	2024 £m	2023 £m
Net gains on structured asset sales	**14.1**	–
Net gains on structured asset sales	**14.1**	–

Structured asset sales

The net gain on structured asset sales is attributable to securitised loan portfolios. The securitised loans were transferred to unconsolidated structured entities and met the criteria to be derecognised from the statement of financial position (see Note 24).

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16. Administrative expenses

See accounting policies in Note 7(e)

	Note	2024 £m	2023 £m
Payroll costs	17	**150.3**	131.8
Depreciation of property, plant and equipment[1]	27	**4.6**	3.5
Amortisation of intangible assets	28	**9.8**	8.1
Other administrative expenses		**88.1**	83.2
Total administrative expenses		**252.8**	226.6

Other administrative expenses include fees paid to the Group's auditor, KPMG LLP, as detailed below. Amounts represent both current year costs and prior year overruns.

	2024 £000	2023 £000
Audit of these annual accounts	**170.0**	170.0
Audit of the annual accounts of subsidiary companies	**3,832.2**	3,774.9
Audit related assurance services	**309.0**	387.0
Other assurance services	**50.0**	50.0
Total auditor's remuneration	**4,361.2**	4,381.9

17. Employees

See accounting policies in Note 7(e)

Aggregate payroll costs included in administrative expenses (see Note 16) are as follows:

	2024 £m	2023 £m
Wages and salaries	**129.8**	114.6
Social security costs	**12.8**	10.5
Pension costs	**7.7**	6.7
Total payroll costs	**150.3**	131.8

Wages and salaries include share-based payment charges. Further details regarding share-based payment transactions are provided in Note 18.

Pension costs represent contributions to defined contribution pension schemes. The Group does not operate any defined benefit pension schemes.

Details of Directors' remuneration are provided in Note 19.

The average number of persons employed by the Group on a full-time equivalent basis by reportable operating segment is set out in the following table.

	2024	2023
Real Estate	**208**	218
SME	**299**	265
Consumer Finance	**95**	82
Retail Mortgage Brands	**323**	276
Other	**594**	505
Average employees (on a full-time equivalent basis)	**1,519**	1,346

Figures in the above tables include contracted employees of the Group only and do not include contractors.

1 Includes depreciation of all asset categories except for assets on operating leases. Depreciation of assets on operating leases is presented as a separate line item in the statement of profit and loss, forming part of the net operating lease income total.

Notes to the financial statements

for the year ended 31 December 2024

18. Employee share-based payment transactions

See accounting policies in Note 7(e)

The Group operates one equity-settled share-based payment scheme and one cash-settled share-based payment scheme, as detailed below. The total expense recognised within payroll costs for these schemes is £0.8 million (2023: £0.8 million).

Management Incentive Plan (equity-settled)
The equity-settled Management Incentive Plan (MIP) was originally introduced for a set of individuals in April 2019. Individuals selected for inclusion in the equity-settled MIP were entitled to acquire non-voting 'B' Class ordinary shares in Marlin Bidco Limited, the ultimate parent company of the Group. Awards are subject to performance conditions relating to the equity valuation of the Group in the event of a prescribed exit event. The outcome of the performance conditions determines the vesting outcome of the awards.

During the year ended 31 December 2024, the charge recognised in payroll costs for the equity settled MIP is £0.7 million (2023: £0.7 million).

Movements in the number of share-based awards during the year are as follows:

	2024	2023
As at 1 January	**9,400**	9,400
Granted	–	–
Forfeited	**(250)**	–
As at 31 December	**9,150**	9,400

During the year ended 31 December 2024, 250 share-based awards were forfeited due to employees leaving the Group. No awards were granted during either of the reported years.

Management Incentive Plan (cash-settled)
The cash-settled MIP was introduced in May 2022. Individuals selected for inclusion in the cash-settled MIP are entitled to a cash payment subject to performance conditions relating to the equity valuation of the Group in the event of a prescribed exit event. The outcome of the performance conditions determines the vesting outcome of the awards.

In both reported years, the charge recognised in payroll costs for the cash-settled MIP, and the resultant liability recognised within other liabilities in the statement of financial position, is immaterial, totalling less than £0.1 million.

Movements in the number of awards during the year are as follows:

	2024	2023
As at 1 January	**200**	200
Granted	–	–
As at 31 December	**200**	200

The fair value of liability at both grant date and reporting date was calculated using the Monte Carlo modelling technique using the same assumptions as applied for the equity-settled MIP.

19. Directors' remuneration

	2024 £000	2023 £000
Directors' emoluments	**3,881**	3,347
Total Directors' remuneration	**3,881**	3,347

The above table includes both Executive and Non-Executive Directors. Further information is provided in the Directors' Remuneration Report starting on page 72.

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for the year ended 31 December 2024

20. Impairment losses on financial assets

See accounting policies in Note 7(u)

Impairment losses on financial assets are attributable to the Group's loans and advances to customers and loan commitments. Impairment losses for the Group's other financial asset categories that are in scope of IFRS 9 impairments (cash and balances at central banks, loans and advances to banks and investment securities) are immaterial, totalling less than £0.1 million in both reported years.

The following table analyses impairment losses on financial assets by financial asset category.

	2024 £m	2023 £m
Impairment losses on loans and advances to customers at amortised cost		
Net ECL charge for the year	**29.2**	19.8
Loan balances written off in the year	**47.2**	38.5
Amounts recovered in the year in respect of loan balances previously written off	**(12.3)**	(5.8)
Total impairment losses on loans and advances to customers at amortised cost	**64.1**	52.5
Impairment losses on loans and advances to customers at FVOCI		
Net ECL charge for the year	**6.3**	4.3
Total impairment losses on loans and advances to customers at FVOCI	**6.3**	4.3
Impairment losses on loan commitments		
Net ECL charge/(credit) for the year	**(3.2)**	3.3
Total impairment losses on loan commitments	**(3.2)**	3.3
Total impairment losses on financial assets	**67.2**	60.1

Further analysis of the net ECL charge for the year in respect of loans and advances to customers at amortised cost, loans and advances to customers at FVOCI and loan commitments is provided in the credit risk section of the Risk Report on page 110, 114 and 116, respectively.

Critical accounting judgements and estimates
The impairment of financial assets is an area identified as involving critical accounting judgements and estimates. Additional details are provided in Note 8(a) and in the credit risk section of the Risk Report starting on pages 104 and 117, respectively.

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21. Tax

See accounting policies in Note 7(f)

A summary of the tax charge recognised in the statement of profit and loss is as follows:

	2024 £m	2023 £m
Current tax		
Current year	**74.6**	87.7
Adjustment in respect of prior years	**(3.9)**	(1.3)
Total current tax	**70.7**	86.4
Deferred tax		
Origination and reversal of temporary differences	**3.0**	(13.4)
Adjustment in respect of prior years	**1.5**	1.7
Tax rate changes	–	(0.1)
Total deferred tax	**4.5**	(11.8)
Total tax charge	**75.2**	74.6

Additional information about the Group's deferred tax assets is provided in Note 29.

A reconciliation of profit before tax to the total tax charge is shown in the following table. The effective tax rate is 25.5% (2023: 26.0%). This is higher than the UK corporation tax rate due to the combined impact of the banking surcharge and the other adjustments set out in the table below.

	2024 £m	2023 £m
Profit before tax	**295.1**	286.7
Implied tax charge thereon at 25% (2023: 23.5%)	**73.8**	67.4
Adjustments		
Banking surcharge	**5.5**	10.8
Tax relief on coupon paid on capital securities	**(4.0)**	(4.6)
Adjustment in respect of prior years	**(2.4)**	0.4
Disallowable expenses and other permanent differences	**2.3**	0.7
Tax rate changes	–	(0.1)
Total tax charge	**75.2**	74.6

Tax rate changes

On 1 April 2023, the following tax rate changes came into effect:

- as part of the Finance Act 2021, the UK corporation tax rate increased from 19% to 25%.
- as part of the Finance Act 2022, the banking surcharge decreased from 8% to 3% and the banking surcharge exempt amount increased from £25 million to £100 million.

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for the year ended 31 December 2024

22. Cash and cash equivalents

See accounting policies in Note 7(g)

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Cash and balances at central banks	**2,244.7**	2,188.1	–	–
Less: mandatory deposits with central banks	–	(39.9)	–	–
Loans and advances to banks	**304.4**	480.7	–	–
Total cash and cash equivalents	**2,549.1**	2,628.9	–	–

Mandatory deposits with central banks represent amounts held with the Bank of England in accordance with statutory requirements. As at 31 December 2023, the mandatory deposits are not included in cash and cash equivalents as they are not available for use in the Group's day-to-day operations. From 1 March 2024 the PRA introduced a new funding levy to replace the cash ratio deposit ('CRD') scheme. Under the CRD scheme the Group was required to hold the mandatory deposits with the Bank of England. Unlike CRD, the Bank of England Levy gives rise to a charge against profit.

The Group's cash and cash equivalents balance includes:

- £191.8 million (2023: £286.6 million) of cash collateral paid against derivative contracts.
- £49.2 million (2023: £139.3 million) of securitisation cash, which represents the cash balances of consolidated structured entities.
- £nil million (2023: £16.8 million) of cash collateral paid against repurchase agreements.

The loss allowance for both cash and balances at central banks and loans and advances to banks is immaterial in both reported years, totalling less than £0.1 million.

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23. Loans and advances to customers

See accounting policies in Note 7(h)

The following tables analyse the carrying amount of loans and advances to customers by loan classification and agreement type. Finance lease and instalment credit receivables are presented within loans and advances to customers at amortised cost.

	Loans and advances to customers at amortised cost				
As at 31 December 2024	**Gross carrying amount £m**	**Loss allowance £m**	**Carrying amount £m**	**Loans and advances to customers at FVOCI £m**	**Total £m**
Loan receivables	**11,031.9**	**(149.4)**	**10,882.5**	**3,601.1**	**14,483.6**
Finance lease receivables	**22.6**	**(0.7)**	**21.9**	**–**	**21.9**
Instalment credit receivables	**752.5**	**(9.3)**	**743.2**	**–**	**743.2**
	11,807.0	**(159.4)**	**11,647.6**	**3,601.1**	**15,248.7**
Fair value adjustments for hedged risk (see Note 26)			**(51.2)**	**(20.9)**	**(72.1)**
Total loans and advances to customers			**11,596.4**	**3,580.2**	**15,176.6**

	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI £m	Total £m
As at 31 December 2023	Gross carrying amount £m	Loss allowance £m	Carrying amount £m		
Loan receivables	10,173.3	(120.1)	10,053.2	2,812.0	12,865.2
Finance lease receivables	27.0	(1.0)	26.0	–	26.0
Instalment credit receivables	430.3	(9.1)	421.2	–	421.2
	10,630.6	(130.2)	10,500.4	2,812.0	13,312.4
Fair value adjustments for hedged risk (see Note 26)			(36.4)	3.3	(33.1)
Total loans and advances to customers			10,464.0	2,815.3	13,279.3

Additional analysis of the Group's loans and advances to customers at amortised cost and loans and advances to customers at FVOCI and the associated loss allowance is provided in the credit risk section of the Risk Report starting on page 110 and 114, respectively.

Loans and advances to customers include the following pledged and transferred assets. Amounts represent the carrying amount (after loss allowance deducted).

- £2,306.4 million (2023: £2,057.1 million) positioned with the Bank of England for use as collateral against amounts drawn under the Term Funding Scheme with additional incentives for SMEs.
- £2,255.4 million (2023: £2,235.4 million) transferred to consolidated structured entities as part of securitisation programmes, which are pledged as collateral against debt securities in issue.

Loans and advances to customers also include loans with a carrying amount (after loss allowance deducted) of £6.2 million (2023: £12.0 million) that were offered under COVID-19 related business support schemes. The UK Government provides a guarantee to protect 80% of any post-recovery loss in the event of default on these loans. Details of claims made against the government guarantee are as follows:

	2024	2023
Number of claims made during the year	**–**	8
Amount pending receipt as at 1 January (£m)	**0.2**	3.4
Amount claimed during the year (£m)	**–**	3.4
Amount received on claims during the year (£m)	**(0.2)**	6.6
Amount pending receipt as at 31 December (£m)	**–**	0.2

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23. Loans and advances to customers (continued)

Finance lease and instalment credit receivables

Finance lease and instalment credit receivables relate to agreements issued by the Group to customers for a variety of assets, predominantly plant and machinery. The following table sets out a maturity analysis, showing the undiscounted payments to be received after the reporting date and a reconciliation to the gross carrying amount of the receivable.

	2024		2023	
	Finance lease receivables £m	**Instalment credit receivables £m**	Finance lease receivables £m	Instalment credit receivables £m
Undiscounted payments receivable				
Within one year	**9.5**	**448.5**	12.0	283.9
Between one and two years	**7.0**	**203.3**	7.6	61.8
Between two and three years	**5.4**	**122.6**	5.4	74.8
Between three and four years	**2.3**	**33.2**	5.5	19.6
Between four and five years	**0.8**	**11.2**	1.1	7.7
After five years	**0.6**	**2.6**	0.0	1.1
Total undiscounted payments receivable	**25.6**	**821.4**	31.6	448.9
Unearned finance income	**(3.0)**	**(68.9)**	(4.6)	(18.6)
Gross carrying amount	**22.6**	**752.5**	27.0	430.3

Instalment credit receivables include block discounting facilities of £311.4 million (2023: £295.4 million).

The cost of assets acquired by the Group during the year, for the purpose of letting to customers under finance lease and instalment credit agreements, is as follows:

	2024 £m	2023 £m
Finance lease agreements	**6.6**	5.7
Instalment credit agreements	**133.7**	71.0
Total cost of assets acquired during the year	**140.3**	76.7

As at 31 December 2024, the cost of assets acquired for the purpose of letting to customers under instalment credit receivables includes assets acquired by JBR in the amount of £27.9 million (2023: £nil million).

Modifications

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans with a view to maximising recovery. Modifications occurring due to the customer encountering financial difficulties are referred to as forbearance activities. Details of forborne loans are provided in the credit risk section of the Risk Report starting on page 130.

No modification gains or losses were recognised in the statement of profit and loss in either reported year.

Write-offs still under enforcement activity

Loans that are written off can still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. The contractual amount outstanding on loans and advances to customers that were written off during the reporting period, and are still subject to enforcement activity, is £84.4 million (2023: £60.7 million).

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24. Securitisations and structured entities

See accounting policies in Note 7(i)

Consolidated structured entities

The Group includes consolidated structured entities relating to securitisation programmes. These securitisations involve the transfer of certain mortgage loans included within loans and advances to customers to bankruptcy remote structured entities. The Group continues to service the transferred loans in return for an administration fee and is entitled to any residual income from the structured entity after the debt obligations and senior expenses of the securitisation programme have been met.

Based on the structure of these securitisations, for accounting purposes, it is assessed that the Group controls the structured entities and they are therefore treated as subsidiaries and are fully consolidated (see Note 44). The transfer of loans does not meet the derecognition criteria and they therefore continue to be recognised in their entirety in loans and advances to customers in the statement of financial position.

The securitisations involve the simultaneous issue of debt securities by the structured entities to investors. The debt securities may be issued to external investors, which provides a form of long-term funding to the Group. Alternatively, some, or all, of the debt securities may be purchased by a subsidiary of the Group, Shawbrook Bank Limited. These internally held debt securities are used for funding and liquidity purposes. For example, they may be exchanged for UK gilts, referred to as a 'security swap', or they may be positioned with the Bank of England for use as collateral against amounts drawn under its funding schemes.

During the year ended 31 December 2024, the following transactions with consolidated structured entity took place:

- In May 2024, loans with a gross carrying amount (before loss allowance) of £557.4 million and a carrying amount (after loss allowance) of £556.2 million were transferred to Lanebrook Mortgage Transaction 2024-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £557.4 million and £5.5 million of uncollateralised 'X' notes, £250.0 million of which was issued to external investors (see Note 35), with the remainder retained by the Group and eliminated on consolidation.
- JBR, which was acquired in September 2024, includes one consolidated structured entity relating to securitisation transactions, JBR Capital DD Limited. Upon acquisition, the securitisation structure has been dissolved. JBR Capital DD Limited has no remaining balances at 31 December 2024 and does not therefore feature in the table on the following page.

In the comparative year ended 31 December 2023, the following transactions with consolidated structured entities took place:

- BML, which was acquired in May 2023, includes two consolidated structured entities relating to securitisation transactions, Genesis Mortgage Funding 2019-1 PLC and Genesis Mortgage Funding 2022-1 PLC. Genesis Mortgage Funding 2019-1 PLC has no remaining balances at 31 December 2023 and does not therefore feature in the table on the following page.
- In June 2023, loans with a gross carrying amount (before loss allowance) of £677.6 million and a carrying amount (after loss allowance) of £676.7 million were transferred to Holbrook Mortgage Transaction 2023-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £677.6 million and £0.2 million of uncollateralised 'X' notes, all of which were retained by the Group and eliminated on consolidation.
- In November 2023, loans with a gross carrying amount (before loss allowance) of £400.7 million and a carrying amount (after loss allowance) of £399.6 million were transferred to Lanebrook Mortgage Transaction 2023-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £400.7 million and £4.0 million of uncollateralised 'X' notes, £200.0 million of which was issued to external investors (see Note 35), with the remainder retained by the Group and eliminated on consolidation.

The following table summarises the carrying amount of securitised loans that continue to be recognised in the statement of financial position and the associated debt securities issued by consolidated structured entities.

	2024		2023	
	Loans and advances securitised £m (Note 23)	**Debt securities in issue £m** (Note 35)	Loans and advances securitised £m (Note 23)	Debt securities in issue £m (Note 35)
Wandle Mortgage Funding Limited	–	–	97.8	103.1
Ealbrook Mortgage Funding 2022-1 plc	**146.0**	**161.4**	206.7	253.3
Lanebrook Mortgage Transaction 2022-1 plc	**292.1**	**299.3**	318.7	335.7
Shawbrook Mortgage Funding 2022-1 plc	**426.6**	**431.4**	475.4	483.2
Genesis Mortgage Funding 2022-1 plc	**108.0**	**112.3**	173.6	177.4
Holbrook Mortgage Transaction 2023-1 plc	**353.8**	**393.9**	568.0	611.8
Lanebrook Mortgage Transaction 2023-1 plc	**387.1**	**398.6**	400.3	407.8
Lanebrook Mortgage Transaction 2024-1 plc	**548.9**	**554.4**	–	–
	2,262.5	**2,351.3**	2,240.5	2,372.3
Less: loss allowance on securitised loans	**(7.1)**		(5.1)	
Less: held by the Group (and eliminated on consolidation)		**(1,802.1)**		(1,909.5)
Total recognised in statement of financial position	**2,255.4**	**549.2**	2,235.4	462.8

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24. Securitisations and structured entities (continued)

Unconsolidated structured entities

The Group has interests in three unconsolidated structured entities associated with securitisation programmes. These securitisations involve the transfer of certain mortgage loans included within loans and advances to customers to bankruptcy remote structured entities. The residual certificates, representing the rights to receive residual income from the structured entity, are sold as part of these transactions.

Based on the structure of these securitisations, for accounting purposes, it is assessed that the Group does not control the structured entities and they are therefore not consolidated. The transfer of loans meet the criteria for derecognition and they are therefore derecognised in their entirety from the statement of financial position, referred to as 'structured asset sales'.

In October 2024, loans with a carrying amount of £412.6 million (net of £1.0 million loss allowance), comprising loans held at amortised cost of £24.6 million and loans held at FVOCI of £388.0 million, were transferred to an unconsolidated structured entity. Upon transfer, a net gain on derecognition of £14.1 million was recognised in the statement of profit and loss (see Note 15). The Group paid up-front expenses incurred in forming the unconsolidated structured entity of £1.4 million, including amounts to capitalise the entity, all bank and legal expenses. The Group has no intention to provide any further financial or other support following these initial set-up costs.

During the year ended 31 December 2023, there were no new securitisation transactions with unconsolidated structured entities.

A portion of the debt securities issued by unconsolidated structured entities as part of these securitisation transactions were purchased by a subsidiary of the Group, Shawbrook Bank Limited. The Group therefore has a direct interest in these unconsolidated structured entities. As at 31 December 2024, the carrying amount of the Group's investment in debt securities issued by unconsolidated structured entities is £392.2 million (2023: £117.6 million) (see Note 25). This amount represents the Group's maximum exposure to loss from its interests in unconsolidated structured entities.

As at 31 December 2024, the total asset value1 of the unconsolidated structured entities that the Group has a direct interest in, including the portion in which the Group has no interest, is £706.4 million (2023: £560.5 million).

The Group does not provide any ongoing financial support to any of the unconsolidated structured entities that it has a direct interest in.

Other accounting judgements

For each securitisation transaction completed, the assessments involved in determining whether the Group controls the structured entity and whether the loans meet the criteria to be derecognised are identified as involving accounting judgements. Additional details are provided in Note 9(a).

25. Investment securities

See accounting policies in Note 7(j)

	2024			2023		
	Covered bonds £m	**Debt securities £m**	**Total £m**	Covered bonds £m	Debt securities £m	Total £m
As at 1 January	**517.0**	**305.1**	**822.1**	499.7	191.3	691.0
Additions	**366.9**	**531.9**	**898.8**	211.6	153.8	365.4
Maturities	**(104.7)**	**(79.3)**	**(184.0)**	(194.8)	(16.8)	(211.6)
Other movements	**1.1**	**(24.4)**	**(23.3)**	0.5	(23.2)	(22.7)
As at 31 December	**780.3**	**733.3**	**1,513.6**	517.0	305.1	822.1

Debt securities represent mortgage-backed debt securities, of which £392.2 million (2023: £117.6 million) were issued by unconsolidated structured entities as part of securitisation transactions that were retained by the Group.

The Group's investment securities balance includes:

- £nil million (2023: £79.3 million) of debt securities positioned with the Bank of England for use as collateral against amounts drawn under the Term Funding Scheme with additional incentives for SMEs.
- £64.3 million (2023: £25.0 million) of restricted amounts invested in short-term money market funds by consolidated structured entities.

The loss allowance for investment securities is immaterial, totalling less than £0.1 million in both reported years.

1 Based on unaudited management information provided by the unconsolidated structured entities.

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26. Derivative financial instruments and hedge accounting

See accounting policies in Note 7(k) and Note 7(l)

Derivative financial instruments
Derivative financial instruments are used by the Group for risk management purposes to minimise or eliminate the impact of movements in interest rates and foreign exchange rates. Derivatives are not used for trading or speculative purposes. The Group uses the International Swaps and Derivatives Association Master Agreement to document these transactions in conjunction with a Credit Support Annex.

The following table analyses the Group's derivative financial instruments by instrument type and whether the instrument is designated as a hedging instrument in a qualifying hedging relationship.

	Assets		Liabilities	
As at 31 December 2024	**Nominal amount £m**	**Carrying amount £m**	**Nominal amount £m**	**Carrying amount £m**
Instruments not in hedging relationships				
Interest rate swaps	**2,131.2**	**74.1**	**5,181.0**	**73.3**
Spot and forward foreign exchange swaps	**3.9**	–	**23.5**	**0.1**
Total instruments not in hedging relationships	**2,135.1**	**74.1**	**5,204.5**	**73.4**
Instruments in fair value hedging relationships				
Interest rate swaps	**9,394.5**	**144.7**	**3,950.0**	**43.4**
Balance guaranteed swaps	**69.9**	**3.3**	–	–
Total instruments in fair value hedging relationships	**9,464.4**	**148.0**	**3,950.0**	**43.4**
Instruments in cash flow hedging relationships				
Interest rate swaps	**485.0**	**5.0**	**70.0**	**0.3**
Total instruments in cash flow hedging relationships	**485.0**	**5.0**	**70.0**	**0.3**
Total derivative financial instruments	**12,084.5**	**227.1**	**9,224.5**	**117.1**

	Assets		Liabilities	
As at 31 December 2023	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
Instruments not in hedging relationships				
Interest rate swaps	1,888.8	67.0	6,813.1	65.1
Spot and forward foreign exchange swaps	7.3	–	21.5	–
Total instruments not in hedging relationships	1,896.1	67.0	6,834.6	65.1
Instruments in fair value hedging relationships				
Interest rate swaps	5,970.0	179.2	5,370.0	88.8
Balance guaranteed swaps	124.3	5.8	–	–
Total instruments in fair value hedging relationships	6,094.3	185.0	5,370.0	88.8
Instruments in cash flow hedging relationships				
Interest rate swaps	350.0	0.7	770.0	30.6
Total instruments in cash flow hedging relationships	350.0	0.7	770.0	30.6
Total derivative financial instruments	8,340.4	252.7	12,974.6	184.5

Interest rate swaps are used to manage interest rate risk associated with the Group's loans and advances to customers (including pipeline loans) and customer deposits (including offers/ pipeline for savings). Spot and forward foreign exchange swaps are used to manage foreign exchange risk associated with the Group's loans and advances to customers and loans and advances to banks.

As part of the JBR acquisition in 2024, the Group acquired derivative financial liabilities with a fair value of £1.6 million. This comprised swap contacts that were redeemed shortly after the acquisition date.

Balance guaranteed swaps were acquired as part of the BML acquisition in 2023 and fair value hedge accounting was designated on acquisition. As part of the BML acquisition in 2023, the Group acquired derivative financial assets with a fair value of £15.1 million. This comprised balance guaranteed swaps held in fair value hedging relationships of £12.0 million and interest rate swaps not in hedging relationships of £3.1 million.

In respect of the derivative financial instruments set out above, cash collateral totalling £191.8 million has been paid (2023: £286.6 million) and £157.9 million has been received (2023: £189.0 million) (see Note 22 and Note 32, respectively). There was also securitisation collateral received in the form of Gilts with a nominal value of £75.9 million (2023: £52.6 million) and a market value of £79.8 million (2023: £68.0 million).

Additional information about market risk, and the use of derivatives in managing such risk, is included in the Risk Report starting on page 132.

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26. Derivative financial instruments and hedge accounting (continued)

All of the Group's GBP derivatives are cleared through the London Clearing House via ABN Amro and Barclays. FX derivatives are over-the-counter (OTC) with Lloyds. SPV swaps are over-the-counter (OTC) derivatives with Lloyds, Barclays and Santander. The following tables split out the total nominal amount of derivative financial instruments into cleared and OTC.

	Assets			Liabilities		
As at 31 December 2024	**Cleared £m**	**OTC £m**	**Total £m**	**Cleared £m**	**OTC £m**	**Total £m**
Instruments not in hedging relationships						
Interest rate swaps	**27.7**	**2,103.5**	**2,131.2**	**5,181.0**	**–**	**5,181.0**
Spot and forward foreign exchange swaps	**–**	**3.9**	**3.9**	**–**	**23.5**	**23.5**
Total instruments not in hedging relationships	**27.7**	**2,107.4**	**2,135.1**	**5,181.0**	**23.5**	**5,204.5**
Instruments in fair value hedging relationships						
Interest rate swaps	**9,394.5**	**–**	**9,394.5**	**3,950.0**	**–**	**3,950.0**
Balance guaranteed swaps	**–**	**69.9**	**69.9**	**–**	**–**	**–**
Total instruments in fair value hedging relationships	**9,394.5**	**69.9**	**9,464.4**	**3,950.0**	**–**	**3,950.0**
Instruments in cash flow hedging relationships						
Interest rate swaps	**485.0**	**–**	**485.0**	**70.0**	**–**	**70.0**
Total instruments in cash flow hedging relationships	**485.0**	**–**	**485.0**	**70.0**	**–**	**70.0**
Total derivative financial instruments	**9,907.2**	**2,177.3**	**12,084.5**	**9,201.0**	**23.5**	**9,224.5**

	Assets			Liabilities		
As at 31 December 2023	Cleared £m	OTC £m	Total £m	Cleared £m	OTC £m	Total £m
Instruments not in hedging relationships						
Interest rate swaps	27.7	1,861.1	1,888.8	6,813.1	–	6,813.1
Spot and forward foreign exchange swaps	–	7.3	7.3	–	21.5	21.5
Total instruments not in hedging relationships	27.7	1,868.4	1,896.1	6,813.1	21.5	6,834.6
Instruments in fair value hedging relationships						
Interest rate swaps	5,812.4	157.6	5,970.0	5,370.0	–	5,370.0
Balance guaranteed swaps	–	124.3	124.3	–	–	–
Total instruments in fair value hedging relationships	5,812.4	281.9	6,094.3	5,370.0	–	5,370.0
Instruments in cash flow hedging relationships						
Interest rate swaps	350.0	–	350.0	770.0	–	770.0
Total instruments in cash flow hedging relationships	350.0	–	350.0	770.0	–	770.0
Total derivative financial instruments	6,190.1	2,150.3	8,340.4	12,953.1	21.5	12,974.6

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26. Derivative financial instruments and hedge accounting (continued)

Hedge accounting

The Group holds certain derivative financial instruments as hedging instruments in fair value hedges and cash flow hedges in order to hedge exposures to changes in interest rates. Additional details of these hedges are provided in the following sections.

All hedge accounting relationships have remained highly effective throughout both reported years.

Fair value hedges

Details of the Group's fair value hedges are presented in the following tables.

	Maturity					
As at 31 December 2024	**Less than 1 month**	**1 - 3 months**	**3 months – 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
Interest rate swaps						
Nominal amount (£m)	**747.0**	**1,294.0**	**4,542.7**	**6,629.6**	**131.2**	**13,344.5**
Average fixed interest rate, %	**4.42**	**4.58**	**4.53**	**3.54**	**2.58**	**4.02**
Balance guaranteed swaps						
Nominal amount (£m)	–	–	–	**69.9**	–	**69.9**
Average fixed interest rate, %	–	–	–	**1.07**	–	**1.07**

	Maturity					
As at 31 December 2023	Less than 1 month	1 - 3 months	3 months – 1 year	1 - 5 years	More than 5 years	Total
Interest rate swaps						
Nominal amount (£m)	438.2	844.9	4,437.2	5,507.1	112.6	11,340.0
Average fixed interest rate, %	3.23	3.95	4.64	3.20	2.08	3.81
Balance guaranteed swaps						
Nominal amount (£m)	–	–	–	124.3	–	124.3
Average fixed interest rate, %	–	–	–	1.07	–	1.07

Amounts relating to items designated as hedging instruments and hedge ineffectiveness are set out in the following tables. The carrying amount of assets and liabilities included in these tables are presented in the statement of financial position on the lines derivative financial assets and derivative financial liabilities, respectively. Ineffectiveness is recognised in the statement of profit and loss on the line net gains/(losses) on derivative financial instruments and hedge accounting. The main sources of ineffectiveness in these hedge relationships relate to the modelled prepayment/repayment behaviour and the assumptions that are used in modelling this behaviour.

		Carrying amount			
As at 31 December 2024	**Nominal amount £m**	**Assets £m**	**Liabilities £m**	**Change in fair value of hedging instrument used for calculating ineffectiveness £m**	**Ineffectiveness recognised in statement of profit and loss £m**
Interest rate swaps	**13,344.5**	**144.7**	**43.4**	**37.3**	**(0.4)**
Balance guaranteed swaps	**69.9**	**3.3**	–	**(2.4)**	–

		Carrying amount			
As at 31 December 2023	Nominal amount £m	Assets £m	Liabilities £m	Change in fair value of hedging instrument used for calculating ineffectiveness £m	Ineffectiveness recognised in statement of profit and loss £m
Interest rate swaps	11,340.0	179.2	88.8	(152.7)	0.5
Balance guaranteed swaps	124.3	5.8	–	(5.2)	(0.1)

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26. Derivative financial instruments and hedge accounting (continued)

Amounts relating to items designated as hedged items are as follows:

As at 31 December 2024	Carrying amount £m	Accumulated fair value hedge adjustments included in the carrying amount of the hedged item[1] £m	Change in fair value used for calculating ineffectiveness £m
Assets			
Fixed rate mortgage loans included in loans and advances to customers hedged by interest rate swaps	**7,109.1**	**(75.4)**	**(35.6)**
Fixed rate mortgage loans included in loans and advances to customers hedged by balance guaranteed swaps	**3.2**	**3.3**	**2.4**
Liabilities			
Fixed rate customer deposits included in customer deposits	**6,530.3**	**(5.0)**	**(2.2)**

As at 31 December 2023	Carrying amount £m	Accumulated fair value hedge adjustments included in the carrying amount of the hedged item[1] £m	Change in fair value used for calculating ineffectiveness £m
Assets			
Fixed rate mortgage loans included in loans and advances to customers hedged by interest rate swaps	6,210.2	(36.2)	175.4
Fixed rate mortgage loans included in loans and advances to customers hedged by balance guaranteed swaps	5.5	3.6	5.0
Liabilities			
Fixed rate customer deposits included in customer deposits	5,367.1	(2.8)	(22.2)

Cash flow hedges

Details of the Group's cash flow hedges are presented in the following tables.

	Maturity					
As at 31 December 2024	**Less than 1 month**	**1 - 3 months**	**3 months – 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
Interest rate swaps (pay fixed)						
Nominal amount (£m)	–	–	–	**360.0**	**195.0**	**555.0**
Average fixed interest rate, %	–	–	–	**3.78**	**3.82**	**3.79**
Interest rate swaps (receive fixed)						
Nominal amount (£m)	–	–	–	–	–	–
Average fixed interest rate, %	–	–	–	–	–	–

	Maturity					
As at 31 December 2023	Less than 1 month	1 - 3 months	3 months – 1 year	1 - 5 years	More than 5 years	Total
Interest rate swaps (pay fixed)						
Nominal amount (£m)	–	–	–	560.0	210.0	770.0
Average fixed interest rate, %	–	–	–	4.60	4.42	4.55
Interest rate swaps (receive fixed)						
Nominal amount (£m)	–	–	170.0	180.0	–	350.0
Average fixed interest rate, %	–	–	5.16	4.79	–	4.97

1 The accumulated amount of fair value adjustments remaining in the statement of financial position for hedged items that have been de-designated, for which the fair value hedged item adjustment is being amortised into the statement of profit and loss is £9.3 million (2023: £11.8 million).

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26. Derivative financial instruments and hedge accounting (continued)

Amounts relating to items designated as hedging instruments and hedge ineffectiveness are set out in the following tables. The carrying amount of assets and liabilities included in these tables are presented in the statement of financial position on the lines derivative financial assets and derivative financial liabilities, respectively. Ineffectiveness recognised in the statement of profit and loss and amounts reclassified from the cash flow hedging reserve to the statement of profit and loss are both presented on the line net gains/(losses) on derivative financial instruments and hedge accounting. The main source of ineffectiveness in these hedge relationships relate to differences in the timing of cash flows between the hedged item and hedging instrument.

As at 31 December 2024	Nominal amount £m	Carrying amount: Assets £m	Carrying amount: Liabilities £m	Change in fair value of hedging instrument used for ineffectiveness measurement £m	Change in value of hedged item used for ineffectiveness measurement £m	Ineffectiveness recognised in statement of profit and loss £m	Amount reclassified from cash flow hedging reserve to statement of profit and loss £m
Interest rate swaps (pay fixed)	**555.0**	**5.0**	**0.3**	**17.7**	**17.8**	**(0.1)**	**6.4**
Interest rate swaps (receive fixed)	–	–	–	**(2.3)**	**(0.2)**	**(2.1)**	**(0.2)**

As at 31 December 2023	Nominal amount £m	Carrying amount: Assets £m	Carrying amount: Liabilities £m	Change in fair value of hedging instrument used for ineffectiveness measurement £m	Change in value of hedged item used for ineffectiveness measurement £m	Ineffectiveness recognised in statement of profit and loss £m	Amount reclassified from cash flow hedging reserve to statement of profit and loss £m
Interest rate swaps (pay fixed)	770.0	–	30.6	(20.3)	(20.2)	(0.1)	9.9
Interest rate swaps (receive fixed)	350.0	0.7	–	(4.7)	(3.1)	(1.7)	(3.2)

Amounts relating to items designated as hedged items are as follows:

As at 31 December 2024	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedging reserve: Continuing hedges £m	Cash flow hedging reserve: Discontinued hedges £m
Liabilities			
Floating rate debt securities included in debt securities in issue and floating rate borrowings included in amounts due to banks	**(17.8)**	**4.6**	**12.7**
Floating rate covered bonds and asset finance floating rate assets	**0.2**	–	**0.1**

As at 31 December 2023	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedging reserve: Continuing hedges £m	Cash flow hedging reserve: Discontinued hedges £m
Liabilities			
Floating rate debt securities included in debt securities in issue and floating rate borrowings included in amounts due to banks	20.2	(30.5)	36.5
Floating rate covered bonds and asset finance floating rate assets	3.1	0.7	(0.6)

Net gains and losses on derivative financial instruments and hedge accounting

Gains and losses on derivative financial instruments and hedge accounting recognised in the statement of profit and loss are summarised as follows:

	2024 £m	2023 £m
Net fair value gains/(losses) on derivative financial instruments	**48.4**	(183.2)
Net fair value gains/(losses) on hedged risk	**(46.5)**	188.3
Net gains on derivative financial instruments and hedge accounting	**1.9**	5.1

Net fair value gains/(losses) on derivative financial instruments includes foreign exchange gains and losses.

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27. Property, plant and equipment

Year ended 31 December 2024	Right-of-use leasehold property £m	Leasehold property £m	Fixtures, fittings and equipment £m	Assets on operating leases £m	Total £m
Cost					
As at 1 January 2024	**12.8**	**2.3**	**16.9**	**60.8**	**92.8**
Additions	**28.1**	**0.7**	**2.0**	**7.4**	**38.2**
Acquisitions through business combinations	**0.4**	–	**0.1**	–	**0.5**
Disposals	**(2.8)**	–	–	**(5.3)**	**(8.1)**
Transfer to finance leases	–	–	–	**(3.7)**	**(3.7)**
As at 31 December 2024	**38.5**	**3.0**	**19.0**	**59.2**	**119.7**
Accumulated depreciation					
As at 1 January 2024	**7.7**	**1.5**	**13.8**	**29.3**	**52.3**
Charge for the year	**2.6**	**0.3**	**1.7**	**7.4**	**12.0**
Disposals	**(2.8)**	–	–	**(4.4)**	**(7.2)**
Transfer to finance leases	–	–	–	**(2.9)**	**(2.9)**
As at 31 December 2024	**7.5**	**1.8**	**15.5**	**29.4**	**54.2**
Carrying amount					
As at 1 January 2024	**5.1**	**0.8**	**3.1**	**31.5**	**40.5**
As at 31 December 2024	**31.0**	**1.2**	**3.5**	**29.8**	**65.5**

In December 2023, the Group entered into a 10-year lease agreement for new office space, with a lease commencement date in October 2024. As of the lease commencement date, the Group has recognised a right-of-use asset of £28.1 million in the statement of financial position and a corresponding lease liability of £21.3 million (see Note 36). The lease agreement includes rent-free periods and option for renewal, which have been evaluated to determine the lease term.

Year ended 31 December 2023	Right-of-use leasehold property £m	Leasehold property £m	Fixtures, fittings and equipment £m	Assets on operating leases £m	Total £m
Cost					
As at 1 January 2023	11.9	2.3	15.5	60.6	90.3
Additions	–	–	0.9	2.8	3.7
Acquisitions through business combinations	0.9	–	0.5	–	1.4
Disposals	–	–	–	(6.0)	(6.0)
Other movements[1]	–	–	–	7.6	7.6
Transfer to finance leases	–	–	–	(4.2)	(4.2)
As at 31 December 2023	12.8	2.3	16.9	60.8	92.8
Accumulated depreciation					
As at 1 January 2023	5.7	1.1	12.7	22.5	42.0
Charge for the year	2.0	0.4	1.1	8.2	11.7
Disposals	–	–	–	(5.3)	(5.3)
Other movements[1]	–	–	–	7.6	7.6
Transfer to finance leases	–	–	–	(3.7)	(3.7)
As at 31 December 2023	7.7	1.5	13.8	29.3	52.3
Carrying amount					
As at 1 January 2023	6.2	1.2	2.8	38.1	48.3
As at 31 December 2023	5.1	0.8	3.1	31.5	40.5

[1] Other movements of £7.6 million include operating lease costs and depreciation previously reported on a net basis.

1 Other movements of £7.6 million include operating lease costs and depreciation previously reported on a net basis.

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for the year ended 31 December 2024

28. Intangible assets

See accounting policies in Note 7(m)

	2024			2023		
	Goodwill £m	**Other intangibles £m**	**Total £m**	Goodwill £m	Other intangibles £m	Total £m
Cost						
As at 1 January	**78.2**	**82.9**	**161.1**	54.8	67.5	122.3
Additions	–	**15.1**	**15.1**	–	14.5	14.5
Acquisitions through business combinations	**7.8**	**3.7**	**11.5**	23.4	1.0	24.4
Disposals	–	–	–	–	(0.1)	(0.1)
As at 31 December	**86.0**	**101.7**	**187.7**	78.2	82.9	161.1
Accumulated amortisation and impairment						
As at 1 January	**1.1**	**52.8**	**53.9**	1.1	44.8	45.9
Amortisation charge for the year	–	**9.8**	**9.8**	–	8.1	8.1
Disposals	–	–	–	–	(0.1)	(0.1)
As at 31 December	**1.1**	**62.6**	**63.7**	1.1	52.8	53.9
Carrying amount						
As at 1 January	**77.1**	**30.1**	**107.2**	53.7	22.7	76.4
As at 31 December	**84.9**	**39.1**	**124.0**	77.1	30.1	107.2

Other intangibles predominantly comprises computer software, but also includes assets recognised on the acquisition of businesses, representing brands and the benefit of business networks. Other intangibles additions include £14.6 million of internally generated assets (2023: £14.2 million).

Goodwill impairment testing

The Group performed its annual assessment to identify any impairment to goodwill. For the purposes of impairment testing, goodwill is allocated to the Group's cash-generating units (CGUs). As at 31 December 2024, the identified CGUs include Real Estate, SME, TML, BML and JBR.

Goodwill is impaired if the carrying amount of a CGU exceeds the recoverable amount. Determining the recoverable amount involves the calculation of the CGU's value in use, which is derived by discounting the forecast cash flows (post-tax profits) to be generated from its continuing use, as described below.

Forecast cash flows are based on the Board approved budget and assumptions regarding the long-term pattern of sustainable cash flows thereafter. Five years of forecast cash flows (post-tax profits) are included in the discounted cash flow model (2023: five years). A terminal value growth rate of 1.5% is then applied into perpetuity to extrapolate cash flows beyond the cash flow period (2023: 1.0%). The terminal value growth rate is estimated by the Group taking into account rates disclosed by comparable institutions.

To discount the forecast cash flows, the Group derives a CGU specific discount rate. These discount rates are an estimate of the return that investors would require if they were to choose an investment that would generate cash flows of amount, timing and risk profile equivalent to those that the entity expects to derive from the CGU. The Group calculates the discount rates using the price-to-book ratio method, which incorporates target return on equity, growth rate and the price-to-book ratio. The discount rate for each CGU is adjusted to reflect the risks inherent to the individual CGU.

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28. Intangible assets (continued)

Discount rates used for each CGU are as follows:

	2024		2023	
	Post-tax	**Pre-tax**[1]	Post-tax	Pre-tax[1]
Real Estate	**12.6%**	**16.9%**	12.8%	17.1%
SME	**14.1%**	**18.8%**	14.3%	19.0%
TML	**14.1%**	**18.9%**	15.3%	20.5%
BML	**15.6%**	**21.3%**	15.8%	21.5%
JBR	**16.1%**	**21.1%**	–	–

In both reported years, impairment testing indicated the recoverable amount of each CGU was in excess of its carrying amount and, as such, no impairment losses have been recognised. Reasonably possible changes in forecast cash flows and the applied post-tax discount rate would not result in the recoverable amount of any CGU reducing below the carrying amount, as verified by sensitivity analysis.

A summary of the carrying amount of goodwill by CGU is as follows:

	2024						2023				
	Real Estate £m	**SME £m**	**TML £m**	**BML £m**	**JBR £m**	**Total £m**	Real Estate £m	SME £m	TML £m	BML £m	Total £m
As at 1 January	**9.0**	**34.7**	**10.0**	**23.4**	–	**77.1**	9.0	34.7	10.0	–	53.7
Acquisitions through business combinations	–	–	–	–	**7.8**	**7.8**	–	–	–	23.4	23.4
As at 31 December	**9.0**	**34.7**	**10.0**	**23.4**	**7.8**	**84.9**	9.0	34.7	10.0	23.4	77.1

1 The Group applies post-tax discount rates to post-tax cash flows when testing CGUs for impairment. The pre-tax discount rate is disclosed in accordance with IAS 36 'Impairment of Assets'.

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29. Deferred tax assets

See accounting policies in Note 7(f)

Deferred tax assets are attributable to the following items:

	2024 £m	2023 £m
Decelerated tax depreciation	**4.1**	5.1
IFRS 9 adjustment	**1.1**	1.5
Tax losses in subsidiary companies	**14.5**	1.9
Tax on gains/(losses) within SPVs	**8.5**	17.9
Fair value through other comprehensive income reserve	**(10.8)**	0.2
Other	**(1.4)**	9.1
Total deferred tax assets	**16.0**	35.7

Movements in deferred tax assets are as follows:

	2024 £m	2023 £m
As at 1 January	**35.7**	19.4
Amounts recognised in statement of profit and loss (see Note 21):		
Current year movement	**(3.0)**	13.4
Adjustment in respect of prior years	**(1.5)**	(1.7)
Tax rate changes	**–**	0.1
Amounts recognised in other comprehensive income:		
Current year movement in cash flow hedging reserve	**(3.2)**	8.0
Current year movement in fair value through other comprehensive income reserve	**(11.0)**	(3.8)
Other:		
Acquisitions through business combinations	**(1.0)**	0.3
As at 31 December	**16.0**	35.7

The Group's business plans project future profits that are sufficient to fully recognise the deferred tax assets. The deferred tax assets will unwind over the remaining life of the underlying assets with which they are associated. Deferred tax assets have been calculated based on an aggregation rate of 27.0% (2023: 26.9%), which is the estimated rate of recovery that will unwind over the remaining life of the underlying assets with which they are associated. Deferred tax assets reflect the substantively enacted tax rate changes detailed in Note 21.

30. Other assets

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Other debtors	**18.0**	13.4	**–**	–
Prepayments	**17.4**	15.1	**0.4**	–
Accrued income	**0.9**	1.4	**–**	–
Total other assets	**36.3**	29.9	**0.4**	–

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31. Investment in subsidiaries

See accounting policies in Note 7(n)

The investment in subsidiary in the Company statement of financial position relates to the Company's investment in Shawbrook Bank Limited and is attributable to the following components:

	2024 £m	2023 £m
Equity shares	**267.8**	267.8
Capital securities	**125.0**	125.0
Capital contribution	**19.9**	19.9
Share-based payments	**19.8**	19.1
Total investment in subsidiaries	**432.5**	431.8

Movements in the Company's investment in subsidiaries are as follows:

	2024 £m	2023 £m
As at 1 January	**431.8**	416.8
Capital securities issued	**–**	–
Capital securities settled	**–**	–
Capital contribution	**–**	14.3
Share-based payments	**0.7**	0.7
As at 31 December	**432.5**	431.8

The capital contribution made in 2023 relates to Shawbrook Bank Limited's acquisition of BML.

Details of the capital securities transactions between Shawbrook Bank Limited and the Company are provided in Note 41.

Share-based payments are attributable to the scheme detailed in Note 18.

32. Amounts due to banks

See accounting policies in Note 7(o)

	2024 £m	2023 £m
Cash at Bank of England	**1,216.2**	1,215.8
Derivative collateral received	**157.9**	189.0
Other	**2.0**	0.2
Total amounts due to banks	**1,376.1**	1,405.0

Amounts due to banks include:

- £800.0 million (2023: £1,200.0 million) drawn under the Bank of England's Term Funding Scheme with additional incentives for SMEs, which fall due for repayment in 2025. These amounts are collateralised by customer loan assets and investment securities.
- £157.9 million (2023: £189.0 million) of cash collateral received against derivative contracts.

33. Customer deposits

See accounting policies in Note 7(p)

	2024 £m	2023 £m
Retail customers:		
Instant access	**6,007.9**	5,586.5
Term deposits and notice accounts	**9,764.1**	7,947.7
Corporate customers:		
Term deposits	**27.0**	25.7
Fair value adjustments for hedged risk	**5.0**	2.8
Total customer deposits	**15,804.0**	13,562.7

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34. Provisions

See accounting policies in Note 7(q)

	2024			2023		
	Loss provision £m	**Other provisions £m**	**Total £m**	Loss provision £m	Other provisions £m	Total £m
As at 1 January	**3.8**	**12.1**	**15.9**	0.5	5.5	6.0
Provisions utilised	–	**(1.5)**	**(1.5)**	–	(6.5)	(6.5)
Provisions made/(released)	**(3.2)**	**0.3**	**(2.9)**	3.3	13.1	16.4
As at 31 December	**0.6**	**10.9**	**11.5**	3.8	12.1	15.9

Loss provision
The loss provision represents the loss allowance on loan commitments (see Note 47). Provisions released represent the net ECL credit for the year on loan commitments and is recognised in impairment losses on financial assets in the statement of profit and loss (see Note 20).

Other provisions
Other provisions represent provisions made in relation to customer remediation and conduct issues and provisions for legal costs to defend cases brought against the Group. Provisions made are recognised in provisions in the statement of profit and loss.

A reconciliation of the net amount recognised in provisions in the statement of profit and loss is as follows:

	2024 £m	2023 £m
Other provisions made	**0.3**	13.1
Other provisions recovered	**(5.6)**	–
Net (credit)/charge for provisions	**(5.3)**	13.1

Provisions made in both reported periods predominantly relate to timeshare complaints. The Group has received a number of complaints from customers about holiday ownership (timeshare) products, where the Group provided finance to customers to fund the purchase of those products.

Based on the information available at the reporting date, the Group has recognised a provision of £9.2 million (2023: £10.1 million), reflecting the best estimate of probable outflows associated with timeshare claims. Ultimately redress will depend on claim rates. At this time, the Group believes the provision recognised is adequate. Further information regarding an associated contingent liability is provided in Note 48.

The Group has commenced work to pursue recoveries from either original suppliers or, failing that, the Group's insurers, however, in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', such reimbursement cannot be recognised as an asset unless it is virtually certain. The Group typically does not deem a reimbursement claim to be virtually certain until it has been accepted by the other party. As at 31 December 2024, the Group recognised a reimbursement asset of £5.6 million (2023: £nil million) on a subset of Timeshare claims relating to an anticipated recovery from the Group's insurers, which is included in Other assets. The Group also discloses a contingent asset for further anticipated reimbursements (see Note 48). In accordance with IAS 37, any recoveries from suppliers or insurers will be recognised in the statement of profit and loss within provisions.

Critical accounting judgements and estimates
The calculation of other provisions relating to customer remediation and conduct issues is an area identified as involving critical accounting judgements and estimates. Additional details are provided in Note 8(b).

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35. Debt securities in issue

See accounting policies in Note 7(i)

Debt securities in issue comprise asset-backed notes issued to external investors by consolidated structured entities as part of securitisation transactions (see Note 24). The notes are secured on the underlying portfolio of securitised loans and recourse under the notes is limited to the structured entity only.

A summary of notes in issue is provided in the following table. Amounts included in the table include accrued interest and unamortised capitalised costs.

	Issued	Issuer	Listing	Optional redemption date	Maturity date	**2024 £m**	2023 £m
Senior notes	Aug 2021	Wandle Mortgage Funding Limited	Unlisted	Aug 2024	Oct 2038	–	84.5
Class A-E mortgage-backed floating rate notes	May 2022	Genesis Mortgage Funding 2022-1 plc	Euronext Dublin	Jun 2025	Sept 2059	**112.3**	177.4
Class A mortgage-backed floating rate notes	Nov 2023	Lanebrook Mortgage Transaction 2023-1 plc	Euronext Dublin	May 2027	Aug 2060	**190.4**	200.9
Class A mortgage-backed floating rate notes	May 2024	Lanebrook Mortgage Transaction 2024-1 plc	Euronext Dublin	Dec 2027	Mar 2061	**246.5**	–
Total debt securities in issue						**549.2**	462.8

Movements in the year are summarised in the following table:

	2024 £m	2023 £m
As at 1 January	**462.8**	116.4
Issuances	**250.0**	200.0
Acquisitions through business combinations	**289.1**	316.9
Repurchases and redemptions	**(453.7)**	(170.3)
Costs capitalised	**(1.0)**	(0.2)
Other movements	**2.0**	–
As at 31 December	**549.2**	462.8

During the year ended 31 December 2024, issuances comprised £250.0 million Class A mortgage-backed floating rate notes due 2027. These notes were issued to external investors in May 2024 by a consolidated structured entity, Lanebrook Mortgage Transaction 2024-1 plc, and are listed on Euronext Dublin.

As part of the JBR acquisition in 2024, the Group acquired issued debt securities totalling £289.1 million, comprised of senior and mezzanine notes issued to external investors by a consolidated structured entity, JBR Capital DD Limited. The notes were redeemed shortly after the acquisition date.

During the year ended 31 December 2024, senior notes issued by Wandle Mortgage Funding Limited have been fully redeemed following the optional redemption date.

During the year ended 31 December 2023, issuances comprised £200 million Class A mortgage-backed floating rate notes due 2027. These notes were issued to external investors in November 2023 by a consolidated structured entity, Lanebrook Mortgage Transaction 2023-1 plc, and are listed on Euronext Dublin.

As part of the BML acquisition in 2023, the Group acquired issued debt securities totalling £316.9 million, comprised of £233.1 million Class A-E mortgage-backed floating rate notes due 2025 issued to external investors by a consolidated structured entity, Genesis Mortgage Funding 2022-1 plc and £83.8 million various notes issued by Bluestone Mortgage Finance 5 Ltd. Notes issued by Bluestone Mortgage Finance 5 Ltd were redeemed shortly after the acquisition date.

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36. Leases

See accounting policies in Note 7(r)

Group as a lessor: finance leases
Assets leased to customers under finance lease and instalment credit agreements are predominantly plant and machinery. The underlying asset provides security against the gross receivable and the Group provides no residual value guarantees in order to mitigate risk.

Details of the Group's finance lease and instalment credit receivables are set out in Note 23. This includes a maturity analysis showing the gross investment in the lease (the undiscounted lease payments receivable) and a reconciliation to the net investment in the lease (the gross carrying amount of the receivable).

Finance income recognised during the year on finance lease and instalment credit receivables is included in other interest and similar income (see Note 12).

Group as a lessor: operating leases

Assets leased to customers under operating leases are predominantly plant and machinery. The carrying amount of the Group's assets on operating leases and the movements during the year are set out in Note 27.

Net income from operating leases is presented on the face of the statement of profit and loss.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2024 £m	2023 £m
Within one year	**6.1**	6.7
Between one and two years	**4.8**	4.8
Between two and three years	**3.6**	3.7
Between three and four years	**2.8**	2.5
Between four and five years	**1.2**	1.7
After five years	**0.9**	0.5
Total future minimum rentals receivable	**19.4**	19.9

Group as a lessee: finance leases
The Group has lease contracts for several buildings. These leases typically have lease terms of between 5 and 10 years. The Group does not sublease any of these leased assets.

Details of right-of-use assets recognised in relation to these leases, including the carrying amount and movements during the year, are set out in Note 27.

The carrying amount of associated lease liabilities and movements during the year are as follows:

	2024 £m	2023 £m
As at 1 January	**6.1**	7.4
Additions	**21.3**	–
Acquisitions through business combinations	**0.4**	1.0
Disposals	**–**	–
Interest expense	**0.3**	0.1
Payments	**(2.5)**	(2.4)
As at 31 December	**25.6**	6.1

In December 2023, the Group entered into a 10-year lease agreement for new office space, with a lease commencement date in October 2024. As of the lease commencement date, the Group has recognised a lease liability of £21.3 million, with a corresponding right-of-use asset of £28.1 million recognised in the statement of financial position (see Note 27). The lease agreement includes rent-free periods and option for renewal, which have been considered to determine the lease term.

A maturity analysis of lease liabilities is presented in the liquidity risk section of the Risk Report on page 135.

Notes to the financial statements

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36. Leases (continued)

The Group also has a number of low value lease contracts for office equipment, for which the Group applies the recognition exemption for leases of low value assets. For such leases, no right-of-use asset is recognised and lease payments are charged to administrative expenses in the statement of profit and loss.

The following table provides a summary of the amounts recognised in the statement of profit and loss:

	2024			2023		
	Administrative expenses £m	**Interest expense £m**	**Total £m**	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense on right-of-use assets	**2.6**	–	**2.6**	2.0	–	2.0
Interest expense on lease liabilities	–	**0.3**	**0.3**	–	0.1	0.1
Rental expense on low value assets	**0.5**	–	**0.5**	0.8	–	0.8
Total	**3.1**	**0.3**	**3.4**	2.8	0.1	2.9

Cash outflows from leases in the statement of cash flows are as follows:

	2024 £m	2023 £m
Payment of the interest portion of the lease liability (cash flows from operating activities)	**0.3**	0.1
Payment of the principal portion of the lease liability (cash flows from financing activities)	**2.2**	2.3
Total cash outflows from leases	**2.5**	2.4

37. Other liabilities

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Other creditors (including sundry creditors and other taxes)	**22.1**	18.0	–	–
Accruals	**63.7**	52.6	–	0.1
Amounts owed to Group companies	–	–	**8.0**	7.3
Total other liabilities	**85.8**	70.6	**8.0**	7.4

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38. Subordinated debt

See accounting policies in Note 7(s)

Subordinated debt liability
Subordinated debt liabilities comprise notes issued by the Company, as summarised in the following table. Amounts included in the table include accrued interest and unamortised capitalised costs.

	Issued	Listing	Call date[1]	Maturity date	**2024 £m**	2023 £m
6.5% fixed rate reset callable subordinated notes	Sep 2019	Open Market of Frankfurt Stock Exchange	Sep 2024	Sep 2029	–	20.3
9.0% fixed rate reset callable subordinated notes	Jul 2020	Global Exchange Market of Euronext Dublin	Jul 2025	Oct 2030	**76.5**	76.5
12.25% fixed rate reset callable subordinated notes	Oct 2023	International Securities Market of London Stock Exchange	Oct 2028	Jan 2034	**94.6**	91.7
Total subordinated liabilities					**171.1**	188.5

Movements in the year are summarised in the following table:

	2024 £m	2023 £m
As at 1 January	**188.5**	96.8
Issuances	–	90.0
Redemptions	**(20.0)**	–
Costs capitalised	–	(1.0)
Other movements	**2.6**	2.7
As at 31 December	**171.1**	188.5

In September 2024, the Group redeemed 6.5% fixed rate reset callable subordinated notes issued in September 2019, with a nominal value of £20.0 million, at par. No gains or losses were recognised on redemption.

During the year ended 31 December 2023, the Company established a £1 billion Euro Medium Term Note (EMTN) Programme. In October 2023, the Company completed its first issuance under the programme, issuing £90.0 million of 12.25% fixed rate reset callable subordinated notes. The notes are listed on the International Securities Market of the London Stock Exchange.

The principal terms of the subordinated debt liabilities are as follows:

- **Interest:** interest on the notes is fixed at an initial rate until the reset date. On the reset date, the interest rate will be reset and fixed based on a set margin above a defined market rate.
- **Redemption:** the Company may elect to redeem all, but not part, of the notes by exercising its call option as specified in the terms of the agreement. Optional redemption may also take place for certain regulatory or tax reasons. Any optional redemption requires the prior consent of the PRA.
- **Ranking:** the notes constitute direct, unsecured and subordinated obligations of the Company and rank at least pari passu, without any preference, among themselves as Tier 2 capital. The notes rank behind the claims of depositors and other unsecured and unsubordinated creditors, but rank in priority to holders of Tier 1 capital and of equity in the Company.

Subordinated debt receivable
The subordinated debt receivable in the Company statement of financial position represents subordinated debt issued to the Company by the Group's principal subsidiary, Shawbrook Bank Limited. The notes issued by Shawbrook Bank Limited are on terms consistent with the listed notes issued by the Company.

As at 31 December 2024, the subordinated debt receivable in the Company statement of financial position is £172.1 million (2023: £189.9 million). The loss allowance recognised on the subordinated debt receivable is £nil in both reported years.

1 The call date may be a fixed date or a defined period of time. Where it relates to a period of time, the date listed reflects the start of the period, thus reflecting the earliest date the call option may be exercised.

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39. Financial assets and financial liabilities

See accounting policies in Note 7(t)

a) Classification of financial assets and financial liabilities

The following table analyses the carrying amount of the Group's financial assets and financial liabilities by measurement classification. There were no reclassifications between classification categories during either of the reported years.

	2024				2023			
	Amortised cost £m	**FVOCI £m**	**Mandatorily at FVTPL £m**	**Carrying amount £m**	Amortised cost £m	FVOCI £m	Mandatorily at FVTPL £m	Carrying amount £m
Financial assets								
Cash and balances at central banks	**2,244.7**	–	–	**2,244.7**	2,188.1	–	–	2,188.1
Loans and advances to banks	**304.4**	–	–	**304.4**	480.7	–	–	480.7
Loans and advances to customers[1]	**11,596.4**	**3,580.2**	–	**15,176.6**	10,464.0	2,815.3	–	13,279.3
Investment securities	**1,513.6**	–	–	**1,513.6**	822.1	–	–	822.1
Derivative financial assets	–	–	**227.1**	**227.1**	–	–	252.7	252.7
Total financial assets	**15,659.1**	**3,580.2**	**227.1**	**19,466.4**	13,954.9	2,815.3	252.7	17,022.9
Financial liabilities								
Amounts due to banks	**1,376.1**	–	–	**1,376.1**	1,405.0	–	–	1,405.0
Customer deposits	**15,804.0**	–	–	**15,804.0**	13,562.7	–	–	13,562.7
Derivative financial liabilities	–	–	**117.1**	**117.1**	–	–	184.5	184.5
Debt securities in issue	**549.2**	–	–	**549.2**	462.8	–	–	462.8
Lease liabilities[2]	**25.6**	–	–	**25.6**	6.1	–	–	6.1
Subordinated debt liability	**171.1**	–	–	**171.1**	188.5	–	–	188.5
Total financial liabilities	**17,926.0**	–	**117.1**	**18,043.1**	15,625.1	–	184.5	15,809.6

1 The loans and advances to customers balance includes finance lease and instalment credit receivables, which are measured in accordance with IFRS 16 'Leases'. These are included in the amortised cost column.

2 Lease liabilities, which are measured in accordance with IFRS 16 'Leases', are included in the amortised cost column.

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for the year ended 31 December 2024

39. Financial assets and financial liabilities (continued)

b) Fair value of financial assets and financial liabilities

A summary of the valuation methods used by the Group to calculate the fair value of its financial assets and financial liabilities is as follows:

- **Cash and balances at central banks and loans and advances to banks:** fair value approximates the carrying amount as balances have minimal credit losses and are either short-term in nature or re-price frequently.
- **Loans and advances to customers:** fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, and adjusted for future credit losses if considered material.
- **Investment securities, debt securities in issue and subordinated debt liability:** fair value is based on quoted prices where available or by discounting cash flows using market rates.
- **Derivative financial instruments:** fair value is obtained from quoted market prices in active markets and, where these are not available, from valuation techniques including discounted cash flows.
- **Amounts due to banks and customer deposits:** fair value is estimated using discounted cash flows applying either market rates where practicable, or rates offered with similar characteristics by other financial institutions. The fair value of floating rate placements, fixed rate placements with less than six months to maturity and overnight deposits is considered to approximate the carrying amount.

In accordance with IFRS 7, fair value disclosures are not required for lease liabilities. As such, the Group does not calculate a fair value for lease liabilities and they are not included in the following fair value disclosures.

The Group uses a fair value hierarchy which reflects the significance of the inputs used in making fair value measurements. There are three levels to the hierarchy as follows:

- **Level 1:** quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). A Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market; and
- **Level 3:** inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

In assessing whether a market is active, factors such as the scale and frequency of trading activity, the availability of prices and the size of bid/offer spreads are considered. If, in the opinion of the Group, a significant proportion of an instrument's carrying amount is driven by unobservable inputs, the instrument, in its entirety, is classified as Level 3 of the fair value hierarchy. Level 3 in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value (for example, consensus pricing data may be used).

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for the year ended 31 December 2024

39. Financial assets and financial liabilities (continued)

Financial assets and financial liabilities measured at amortised cost

The following table analyses the Group's financial assets and financial liabilities measured at amortised cost into the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during either of the reported years.

	2024			2023		
	Level 3 £m	**Level 2 £m**	**Level 1 £m**	Level 3 £m	Level 2 £m	Level 1 £m
Financial assets at amortised cost						
Cash and balances at central banks	–	–	**2,244.7**	–	–	2,188.1
Loans and advances to banks	–	**304.4**	–	–	480.7	–
Loans and advances to customers	**11,596.4**	–	–	10,464.0	–	–
Investment securities	–	**392.2**	**1,121.4**	–	117.6	704.5
Financial liabilities at amortised cost						
Amounts due to banks	–	**1,376.1**	–	–	1,405.0	–
Customer deposits	–	**15,804.0**	–	–	13,562.7	–
Debt securities in issue	–	**549.2**	–	–	462.8	–
Subordinated debt liability	–	**171.1**	–	–	188.5	–

The following table provides a comparison of the carrying amount per the statement of financial position and the calculated fair value for the Group's financial assets and financial liabilities measured at amortised cost.

For cash and balances at central banks, loans and advances to banks, the carrying amount is considered to be a reasonable approximation of fair value and, as such, these are not included in the following table.

	2024		2023	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m
Financial assets at amortised cost				
Loans and advances to customers	**11,596.4**	**11,912.2**	10,464.0	10,676.0
Investment securities	**1,513.6**	**1,515.5**	822.1	822.8
Financial liabilities at amortised cost				
Amounts due to banks	**1,376.1**	**1,376.1**	1,405.0	1,407.2
Customer deposits	**15,804.0**	**15,815.0**	13,562.7	13,484.3
Debt securities in issue	**549.2**	**552.5**	462.8	465.1
Subordinated debt liability	**171.1**	**179.8**	188.5	187.2

Financial assets and financial liabilities measured at fair value

The following table analyses the Group's financial assets and financial liabilities measured at fair value into the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during either of the reported years. All financial assets and financial liabilities measured at fair value are recurring fair value measurements.

	2024			2023		
	Level 3 £m	**Level 2 £m**	**Level 1 £m**	Level 3 £m	Level 2 £m	Level 1 £m
Financial assets at fair value						
Loans and advances to customers	**3,580.2**	–	–	2,815.3	–	–
Derivative financial assets	–	**227.1**	–	–	252.7	–
Financial liabilities at fair value						
Derivative financial liabilities	–	**117.1**	–	–	184.5	–

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39. Financial assets and financial liabilities (continued)

Financial assets and financial liabilities measured at fair value: Level 3 analysis
The following section provides additional analysis of the Group's financial assets and financial liabilities measured at fair value that are categorised as Level 3.

Movements in the fair value of Level 3 financial assets and financial liabilities are as follows:

	2024	2023
	Loans and advances to customers at FVOCI £m	Loans and advances to customers at FVOCI £m
As at 1 January	**2,815.3**	1,268.8
Additions[1]	**1,376.1**	1,514.2
Net fair value gains/(losses) recognised in the statement of profit and loss	**(24.2)**	54.7
Net fair value gains recognised in other comprehensive income	**35.6**	9.9
Settlements/repayments	**(622.6)**	(32.3)
As at 31 December	**3,580.2**	2,815.3

In relation to the above table:

- Net fair value gains/(losses) recognised in the statement of profit and loss are included in net gains/(losses) on derivative financial instruments and hedge accounting. The net gains/(losses) attributable to loans and advances to customers at FVOCI represent unrealised gains/(losses) on hedged items, which are largely offset by unrealised gains/(losses) on the derivative financial instruments in the hedge accounting relationship.
- Net fair value gains/(losses) recognised in other comprehensive income are included in net gains/(losses) from changes in fair value in relation to the FVOCI reserve. All gains/(losses) recognised are unrealised.

For the Level 3 loans and advances to customers at FVOCI, the fair value is calculated using the discounted cash flow method. The significant unobservable inputs used in this calculation are the risk-adjusted discount rate, which is derived from cost of replacement assets based on comparable market rates, and the prepayment curve. As at 31 December 2024, the following risk-adjusted discount rates are used in the calculation of fair value on loans and advances to customers at FVOCI: TML Buy to Let portfolio – 6.08%, TML owner occupied portfolio – 6.36% and BML portfolio – 6.88% (31 December 2023: 5.27%, 6.26% and 6.72%).

Critical accounting estimates
The valuation of loans and advances to customers at FVOCI is an area identified as involving critical accounting estimates.
Additional details are provided in Note 8(c).

The Group believes that the calculated fair values are appropriate, however, the following table provides sensitivity analysis to illustrate the impact that reasonably possible changes could have on the asset value and total equity recognised at the end of the reporting period. There would be no impact to the statement of profit and loss as a result of these changes.

	2024	2023
Change in significant unobservable input	**Increase/(decrease) to asset value and FVOCI reserve £m**	Increase/(decrease) to asset value and FVOCI reserve £m
Decrease in discount rate by 50 bps	**49.5**	42.8
Increase in discount rate by 50 bps	**(48.3)**	(41.7)
Decrease in prepayment curve by 10%	**21.8**	20.2
Increase in prepayment curve by 10%	**(13.7)**	(12.4)

1 Additions include new financial assets originated or purchased, additional drawdowns and accrued interest.

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for the year ended 31 December 2024

39. Financial assets and financial liabilities (continued)

c) Offsetting financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and financial liabilities that are either offset in the statement of financial position, or are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position.

Financial collateral amounts disclosed in the tables are limited to the net balance sheet exposure for the instrument in order to exclude any over collateralisation. Financial collateral amounts disclosed exclude initial margin cash collateral with central clearing houses. Financial collateral amounts disclosed as at 31 December 2024 do not include securities received with a notional of £75.9 million and a market value of £79.8 million (2023: notional of £69.3 million and a market value of 85.7 million).

				Related amounts not offset		
As at 31 December 2024	**Gross amount £m**	**Amount offset £m**	**Net amount presented on statement of financial position £m**	**Subject to master netting arrangements £m**	**Financial collateral received/ pledged £m**	**Net amount £m**
Financial assets						
Derivative financial assets	**227.1**	–	**227.1**	**(4.1)**	**(153.7)**	**69.3**
Total financial assets	**227.1**	–	**227.1**	**(4.1)**	**(153.7)**	**69.3**
Financial liabilities						
Derivative financial liabilities	**117.1**	–	**117.1**	–	**(117.1)**	–
Total financial liabilities	**117.1**	–	**117.1**	–	**(117.1)**	–

				Related amounts not offset		
As at 31 December 2023	Gross amount £m	Amount offset £m	Net amount presented on statement of financial position £m	Subject to master netting arrangements £m	Financial collateral received/ pledged £m	Net amount £m
Financial assets						
Derivative financial assets	252.7	–	252.7	(4.1)	(177.5)	71.1
Total financial assets	252.7	–	252.7	(4.1)	(177.5)	71.1
Financial liabilities						
Derivative financial liabilities	184.5	–	184.5	–	(184.5)	–
Total financial liabilities	184.5	–	184.5	–	(184.5)	–

40. Share capital

Share capital comprises 253,086,879 issued and fully paid ordinary shares of £0.01 each, totalling share capital of £2,530,869. Each ordinary share has full voting, dividend and capital distribution rights, including on a winding up, but does not have any rights of redemption. There were no movements in share capital during either of the reported years.

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41. Capital securities

See accounting policies in Note 7(v)

Capital securities comprise securities issued by the Company, as summarised in the following table. Amounts included in the table are presented net of transaction costs of £1.9 million (2023: £1.9 million).

	Issued	Listing	Next call date[1]	**2024 £m**	2023 £m
12.103% fixed rate reset perpetual Additional Tier 1 write down capital securities	Oct 2022	International Securities Market of London Stock Exchange	Dec 2027	**122.1**	122.1
10.298% fixed rate reset perpetual Additional Tier 1 write down capital securities (interest rate reset from 7.875% in December 2022)	Dec 2017	Global Exchange Market of Euronext Dublin	Dec 2027	**1.0**	1.0
Total capital securities				**123.1**	123.1

Movements in the year are summarised in the following table:

	2024 £m	2023 £m
As at 1 January	**123.1**	122.9
Amortisation of capitalised costs	–	0.2
As at 31 December	**123.1**	123.1

In both reported years, the Group paid all interest when scheduled. Distributions made to holders of the capital securities, recognised directly in equity, totalled £15.1 million (2023: £16.9 million).

The principal terms of the capital securities are as follows:

- **Interest:** interest is fully discretionary and the Company may elect to, or in certain circumstances is obliged to, cancel (in whole or in part) any interest otherwise scheduled to be paid. Any interest not paid when scheduled is cancelled. The capital securities bear a fixed rate of interest until the first reset date. On the first reset date, and on each fifth anniversary thereafter, the interest rate will be reset and fixed based on a set margin above a defined market rate.
- **Redemption:** the capital securities are perpetual with no fixed redemption date. The Company may elect to redeem all, but not part, of the capital securities by exercising its call option on certain dates, or during defined periods, as specified in the terms of the agreement. Optional redemption may also take place for certain regulatory or tax reasons. Any optional redemption requires the prior consent of the PRA.
- **Write-down:** in the event of the Group's Common Equity Tier 1 capital ratio falling below 7.0%, an automatic and permanent write down shall occur, resulting in the full reduction and cancellation of all capital securities and the cancellation of any interest which is accrued and unpaid.
- **Ranking:** the capital securities constitute direct, unsecured and subordinated obligations of the Company and rank pari passu, without any preference, among themselves. The capital securities also rank pari passu with the most senior class of issued preference shares in the Company, if any, and rank ahead of the holders of all other classes of issued shares of the Company, but rank junior to the claims of unsubordinated and subordinated creditors, other than those creditors whose claims rank, or are expressed to rank, pari passu with, or junior to, the claims of holders of the capital securities.

In conjunction with each transaction between the Company and external investors, equivalent transactions take place between the Company and its principal subsidiary, Shawbrook Bank Limited. The capital securities issued by Shawbrook Bank Limited are on terms consistent with the equivalent listed capital securities issued by the Company. This is recognised in the Company statement of financial position as part of the investment in subsidiaries (see Note 31).

1 The call date may be a fixed date or a defined period of time. Where it relates to a period of time, the date listed reflects the start of the period, thus reflecting the earliest date the call option may be exercised.

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42. Notes to the cash flow statement

Adjustments for non-cash items and other adjustments included in the statement of profit and loss

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
ECL charge on loans and advances to customers at amortised cost	**29.2**	19.8	–	–
ECL charge on loans and advances to customers at FVOCI	**6.3**	4.3	–	–
ECL (credit)/charge on loan commitments	**(3.2)**	3.3	–	–
Other movements on investment securities	**23.3**	22.7	–	–
Depreciation of property, plant and equipment	**12.0**	11.7	–	–
Amortisation of intangible assets	**9.8**	8.1	–	–
Other movements on subordinated debt receivable	–	–	**(2.2)**	(2.5)
Other movements on subordinated debt payable	**2.6**	2.7	**2.6**	2.7
Other movements on debt securities in issue	**2.0**	–	–	–
Other movements on capital securities	–	0.2	–	0.2
Equity-settled share-based payments	**0.7**	0.7	–	–
Total non-cash items and other adjustments	**82.7**	73.5	**0.4**	0.4

Net change in operating assets

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Decrease/(increase) in mandatory deposits with central banks	**39.9**	(10.3)	–	–
Increase in loans and advances to customers	**(1,609.4)**	(2,536.0)	–	–
Decrease in derivative financial assets	**37.0**	63.2	–	–
Increase in operating lease assets	**(5.7)**	(1.6)	–	–
(Increase)/decrease in other assets	**(5.8)**	(9.8)	**(0.4)**	0.1
(Increase)/decrease in operating assets	**(1,544.0)**	(2,494.5)	**(0.4)**	0.1

Net change in operating liabilities

	Group		Company	
	2024 £m	2023 £m	**2024 £m**	2023 £m
Increase in customer deposits	**2,241.3**	2,648.2	–	–
(Decrease)/increase in other provisions	**(1.2)**	6.6	–	–
(Decrease)/increase in derivative financial liabilities	**(67.4)**	94.0	–	–
Increase/(decrease) in other liabilities	**9.6**	(10.5)	**0.6**	0.5
Increase in operating liabilities	**2,182.3**	2,738.3	**0.6**	0.5

43. Ultimate parent company

The ultimate parent and controlling party of the Group is Marlin Bidco Limited. Marlin Bidco Limited is a company jointly owned by PSCM Pooling LP and Marlinbass Limited. Both companies are incorporated in Guernsey and are investment vehicles of Pollen Street Capital Limited and BC Partners LLP, respectively.

The largest company in which the results of the Group are consolidated is that headed by Shawbrook Group plc (see Note 1). No other financial statements include the results of the Group.

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44. Subsidiary companies

See accounting policies in Note 7(a)

Wholly owned subsidiary companies
As at 31 December 2024, the Group includes the following subsidiary companies whose results are included in the consolidated financial statements. The Company's investment in subsidiaries is detailed in Note 31.

Name	Country of incorporation	Class of shares	Ownership%	Principal activity	Registered address (see below)	Audit status (see below)
Shawbrook Bank Limited and its subsidiaries, as follows:	England and Wales	Ordinary	100	Banking	a	i
The Mortgage Lender Limited (company number: 09280057)	England and Wales	Ordinary	100	Mortgage finance	a	ii
Bluestone Mortgages Limited (company number: 02305213) and its subsidiaries, as follows:	England and Wales	Ordinary	100	Mortgage finance	b	ii
Bluestone Mortgage Finance No. 3 Limited (company number: 10863328)	England and Wales	Ordinary	100	Special purpose vehicle	b	ii
Bluestone Mortgage Finance No. 5 Limited (company number: 13177731)	England and Wales	Ordinary	100	Special purpose vehicle	b	ii
Bluestone Mortgage Retention Finance No. 1 Limited (company number: 12087164)	England and Wales	Ordinary	100	Risk retention holder	b	ii
Bluestone Mortgage Retention Finance No. 2 Limited (company number: 13904329)	England and Wales	Ordinary	100	Risk retention holder	b	ii
JBR Auto Holdings Limited (company number: 09349929)	England and Wales	Ordinary	100	Motor finance	d	i
JBR Capital Limited (company number: 07520989)	England and Wales	Ordinary	100	Motor finance	d	i
JBR Auto Finance Limited (company number: 09352159)	England and Wales	Ordinary	100	Holding company	d	i
JBR Auto Services Limited (company number: 09361616)	England and Wales	Ordinary	100	Administrative services	d	i
JBR Automotive Limited (company number: 13370608)	England and Wales	Ordinary	100	Dormant	d	i
JBR Wholesale Finance Limited (company number: 12271265)	England and Wales	Ordinary	100	Dormant	d	i
Singers Corporate Asset Finance Limited (company number: 06863223)	England and Wales	Ordinary	100	Dormant	a	iii
Singers Healthcare Finance Limited (company number: 00983790)	England and Wales	Ordinary	100	Dormant	a	iii
Coachlease Limited (company number: 03462512)	England and Wales	Ordinary	100	Dormant	a	iii
Hermes Group Limited (company number: 02452917)	England and Wales	Ordinary	100	Dormant	a	iii
Singer & Friedlander Commercial Finance Limited (company number: SC053939)	Scotland	Ordinary	100	Dormant	c	iii
Link Loans Limited (company number: 06642090)	England and Wales	Ordinary	100	Dormant	a	iii
Centric SPV 1 Limited (company number: 06441060)	England and Wales	Ordinary	100	Dormant	a	iii
Resource Partners SPV Limited (company number: 03817443)	England and Wales	Ordinary	100	Dormant	a	iii

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44. Subsidiary companies (continued)

The following changes took place during the year ended 31 December 2024:

- JBR Auto Holdings Limited became a wholly owned subsidiary of Shawbrook Bank Limited, the Group's principal subsidiary, in September 2024 (see Note 10). JBR has five wholly owned subsidiary companies, as detailed in above table, the all of which became indirect subsidiary companies of the Group as part of the acquisition.

Registered addresses of the subsidiary companies included in the above table are as follows:

a: Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex, England, CM13 3BE.

b: 3rd Floor, 22 Chancery Lane, London, United Kingdom, WC2A 1LS.

c: Nelson Mandela Place, Glasgow, Scotland, G2 1BT.

d: 773 Finchley Road, London, England, NW11 8DN.

The audit status of the subsidiary companies included in the above table is as follows:

i: audited accounts are prepared for the subsidiary company.

ii: an exemption from audit has been applied and the Group guarantees all outstanding liabilities of the exempted subsidiary company in accordance with Section 479A-C of the Companies Act 2006.

iii: an exemption from audit for dormant companies has been applied in accordance with Section 480 of the Companies Act 2006.

Subsidiaries by virtue of control

As at 31 December 2024, the Group includes the following structured entities relating to securitisation programmes (see Note 24). Shares of these entities are ultimately beneficially owned through an independent trust. However, for accounting purposes, the entities are controlled by the Group and, as such, they are treated as subsidiaries and are fully consolidated.

Name	Country of incorporation	Principal activity	Registered address (see below)	Audit status (see below)
Shawbrook Mortgage Funding Holdings Limited	England and Wales	Holding company	a	i
Wandle Mortgage Funding Limited (company number: 12948228)	England and Wales	Special purpose vehicle	b	ii
Ealbrook Mortgage Funding 2022-1 plc	England and Wales	Special purpose vehicle	a	i
Ealbrook Mortgage Funding 2022-1 Holdings Limited	England and Wales	Holding company	a	i
Lanebrook Mortgage Transaction 2022-1 plc	England and Wales	Special purpose vehicle	a	i
Shawbrook Mortgage Funding 2022-1 plc	England and Wales	Special purpose vehicle	a	i
Genesis Mortgage Funding 2022-1 PLC	England and Wales	Special purpose vehicle	c	i
Holbrook Mortgage Transaction 2023-1 plc	England and Wales	Special purpose vehicle	a	i
Lanebrook Mortgage Transaction 2023-1 plc	England and Wales	Special purpose vehicle	a	i
Lanebrook Mortgage Transaction 2024-1 plc	England and Wales	Special purpose vehicle	a	i
JBR Capital DD Limited (company number: 09335526)	England and Wales	Special purpose vehicle	d	ii

The following changes took place during the year ended 31 December 2024:

- Lanebrook Mortgage Transaction 2024-1 plc became a subsidiary in May 2024 as part of a securitisation transaction (see Note 24).
- Shawbrook Mortgage Funding 2019-1 plc and Genesis Mortgage Funding 2019-1 plc were dissolved in February 2024 and July 2024, respectively. The companies ceased to be subsidiaries of the Group.
- JBR Auto Holdings Limited, which was acquired in September 2024 (see 'wholly owned subsidiary companies' section above), has one subsidiary company by virtue of control, JBR Capital DD Limited. This company became an indirect subsidiary by virtue of control of the Group as part of the acquisition (see Note 10). The Group has commenced the liquidation process for JBR Capital DD Limited, and on completion, the company will cease to be a subsidiary of the Group.

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for the year ended 31 December 2024

44. Subsidiary companies (continued)

Registered addresses of the subsidiary companies included in the above table are as follows:

a: 1 Bartholomew Lane, London, England, EC2N 2AX.

b: 6th Floor, 125 London Wall, London, England EC2Y 5AS.

c: 10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU

d: 1 King's Arms Yard, London, EC2R 7AF

The audit status of the subsidiary companies included in the above table is as follows:

i: audited accounts are prepared for the subsidiary company.

ii: an exemption from audit for dormant companies has been applied in accordance with Section 480 of the Companies Act 2006.

45. Related party transactions

Transactions with key management personnel

Key management personnel refer to the Executive Management team and the Directors of the Group.

Total compensation for the year for key management personnel that are employed by the Group is as follows:

	2024 £m	2023 £m
Short-term employee benefits	**7.3**	6.5
Other long-term benefits	**1.9**	1.0
Post-employment benefits	**0.1**	–
Total compensation for employed key management personnel	**9.3**	7.5

In addition to the above, in the year ended 31 December 2024, the Group incurred fees in relation to the Institutional Directors appointed to the Board by the ultimate parent company, as set out and agreed within the Framework Agreement, totalling £0.1 million (2023: £0.1 million). The institutional Directors are not employed by the Group and, accordingly, their fees are not included in the above table.

Further details of compensation paid to the Directors of the Group are provided in the Directors' Remuneration Report on page 72.

The Group provides employee loans to certain key management personnel. These loans are subject to interest in accordance with the beneficial loan arrangements rate set by HMRC. The loans do not involve more than the normal risk of collectability or present other unfavourable features. As at 31 December 2024, the amount outstanding in respect of these loans is £0.5 million (2023: £0.6 million). Interest income recognised in respect of these loans is less than £0.1 million in both reported years. No provisions have been recognised in respect of these loans and no balances have been written off or forgiven during either of the reported years.

The Group holds savings deposits from certain key management personnel and their close family members. Such deposits are held in the ordinary course of business on normal commercial terms. As at 31 December 2024, the amount held in respect of these deposits is £0.6 million (2023: £0.8 million). Interest expense recognised in respect of these deposits is less than £0.1 million in both reported years.

The Group also issued subordinated notes listed on various stock exchanges. The key management personnel have subscribed for £75,000 aggregate principal amount of Fixed Rate Reset Callable Tier 2 Capital Notes due January 2034 and £50,000 aggregate principal amount of Fixed Rate Reset Callable Subordinated Notes due October 2030 (2023: £25,000 and £50,000, respectively).

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45. Related party transactions (continued)

Transactions with the ultimate parent
The ultimate parent and controlling party of the Group is Marlin Bidco Limited (see Note 43).

As at 31 December 2024, the balance owed to Marlin Bidco Limited is £0.8 million (2023: £0.8 million).

In the year ended 31 December 2023, certain employees, including key management personnel, acquired non-voting 'B' Class ordinary shares in Marlin Bidco Limited as part of an employee share-based payment scheme (see Note 18). No acquisitions of non-voting 'B' Class ordinary shares in Marlin Bidco Limited under an employee share-based payment scheme occurred in the year ended 31 December 2024.

Transactions between the Company and subsidiary companies
Transactions during the year between the Company and Shawbrook Bank Limited, recognised in the Company statement of profit and loss, are as follows:

	2024 £m	2023 £m
Coupon on capital securities[1]	**15.1**	16.9
Interest on subordinated debt receivable	**18.5**	10.5
Management fee	**0.8**	0.7
Total income from subsidiary	**34.4**	28.1

Subsidiary companies of the Group are detailed in Note 44.

Amounts due to the Company from its principal subsidiary, Shawbrook Bank Limited, and recognised in the Company statement of financial position, are as follows:

	Note	**2024 £m**	2023 £m
Other amounts payable	37	**(8.0)**	(7.3)
Subordinated debt receivable[2]	38	**171.1**	188.5
Total amounts due from subsidiary		**163.1**	181.2

1 The total subordinated debt receivable per Note 38 is £172.1 million (2023: £189.9 million). The difference compared to the amount presented in this table of £1.0 million (2023: £1.4 million) relates to capitalised amounts (capitalised costs and a modification loss), which do not constitute amounts owing between the parties.

2 The coupon on capital securities relates to capital securities issued to the Company by Shawbrook Bank Limited, which are included as part of the investment in subsidiaries (see Note 31).

Notes to the financial statements

for the year ended 31 December 2024

46. Capital commitments

As at 31 December 2024, the Group has no capital commitments (2023: £nil).

47. Loan commitments

See accounting policies in Note 7(w)

As at 31 December 2024, the Group has loan commitments, which are not recognised in the statement of financial position, of £1,414.4 million (2023: £1,280.8 million). A loss allowance of £0.6 million (2023: £3.8 million) is held against these loan commitments, which is recognised in provisions in the statement of financial position (see Note 34).

Additional analysis of the Group's loan commitments and the associated loss allowance is provided in the credit risk section of the Risk Report starting on page 116.

48. Contingent assets and contingent liabilities

See accounting policies in Note 7(x)

Part of the Group's business is regulated by the Consumer Credit Act (CCA), a piece of UK legislation designed to protect the rights of consumers. The Group's Consumer franchise is exposed to risk under Section 75 and Section 140A of the CCA, in relation to any misrepresentations, breaches of contract or other failures by suppliers of goods and services to customers, where the purchase of those goods and services is financed by the Group. While the Group would have recourse to the supplier in the event of such liability, if the supplier became insolvent that recourse would have limited value.

The Group continues to undertake reviews of its compliance with the CCA and other consumer regulations. The Group has identified some areas of potential non-compliance, which, based on current information, are not considered to be material. However, in light of the uncertainties involved in such matters, there can be no assurance that the outcome of a particular matter will not result in a material liability.

Additional information regarding specific matters of note is provided below to the extent possible, however it is highlighted that certain information usually required in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' may not be disclosed on the grounds that it may prejudice the position of the Group in any relating dispute with other parties.

Timeshare complaints

The Group has received a number of complaints from customers about holiday ownership (timeshare) products and as at 31 December 2024, the Group has recognised a provision of £9.2 million (2023: £10.1 million) in relation to current and potential future customer complaints (see Note 34). As this is an ongoing area of review there is potential for further liabilities from customers that have not yet complained. However, based on current evidence, the level of uncertainty regarding the outcome means the criteria to be recognised as a provision are not judged to have been met.

The Group has insurance cover in place that it believes would substantially recover any remediation costs incurred in relation to such timeshare claims. As at 31 December 2024, the Group recognised a reimbursement asset of £5.6 million (2023: £nil million) recorded within Other assets on a subset of Timeshare claims relating to an anticipated recovery from the Group's insurers as it is considered to be virtually certain due to an agreement with the insurers. Discussions are ongoing regarding further anticipated reimbursement, however, in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', such reimbursement cannot be recognised as an asset unless it is virtually certain. The Group typically does not deem a reimbursement claim to be virtually certain until it has been accepted by the other party. Consequently, at this point in time, the associated further insurance reimbursement claim is deemed to be a contingent asset, which leads to a timing difference when compared to the recognition of the provision for remediation costs. Although, the Group believes that it is probable that the further insurance reimbursement claim will result in some recovery, it is not practicable at this stage to estimate the amount of the recovery as this is still subject to negotiation.

Notes to the financial statements

for the year ended 31 December 2024

48. Contingent assets and contingent liabilities (continued)

Motor finance commission arrangements

There has been significant legal and regulatory intervention during the year in relation to complaints or legal claims in connection with consumer motor finance regarding allegations that:

(i) undisclosed ("secret" or "half-secret"/"partial disclosure") commissions were paid to credit intermediaries (brokers or dealers); and/or

(ii) unfair and/or undisclosed discretionary commission arrangements ("DCA") models were used.

Background to legal and regulatory intervention in motor finance:

In January 2021, the FCA banned DCAs in regulated motor finance. In January 2024 the Financial Ombudsman Service ("FOS") issued two final decisions upholding customer complaints about regulated motor finance DCAs. Immediately following these decisions, the FCA announced a pause on DCA complaints-handling timeframes for regulated motor credit agreements and launched a review to determine whether to intervene and, if so, how.

In October 2024 the Court of Appeal ("CoA") published its judgment on the cases of Wrench, Johnson and Hopcraft ("Hopcraft"). Each case related to commission arrangements in connection with regulated consumer motor finance. The CoA determined that the motor dealers in those cases, in acting as credit brokers by introducing their customers to lenders to finance their car purchases, owed fiduciary duties to their customers to disclose the existence, nature and amount of commission paid to the motor dealers by the lenders and to obtain the customers' informed consent to the receipt of those commission payments. In the cases, it was found that there was either no disclosure of the commission (i.e. disclosure was entirely absent or insufficient to have been brought to the customer's attention), therefore "secret", or insufficient (therefore "half secret" or "partial") to obtain the customer's informed consent. The judgment, which was based on common law principles, sets a higher bar for commission disclosure than required by current or historical regulatory requirements. The Group is aware of the risk of the judgment being applied to non-motor commission arrangements and is monitoring the position closely for any contagion risk. The Supreme Court has granted the lenders permission to appeal the CoA judgment, and it is expected to hear the appeal in April 2025. The FCA has extended the existing pause on regulated motor finance DCA complaints handling to consumer complaints about motor finance where a non-discretionary commission was involved. The FCA has recently published a statement on the next steps of its motor finance commission review in which it confirmed that it would consult on an industry-wide redress scheme if the Supreme Court confirms that customers have lost out from "widespread failings" by firms, who would then need to offer "appropriate compensation". The FCA will confirm within 6 weeks of the Supreme Court's decision whether it will propose a redress scheme.

Potential impact on the Group:

The Group continues to receive complaints in respect of historical DCA and/or undisclosed commissions. To the extent not caught by the FCA pause on motor finance commission complaints handling, these complaints are assessed on their merits. The Group continues to robustly defend all litigation claims in relation to commission disclosures.

In considering its potential exposure to commission claims, the Group has considered the legal and regulatory interventions and any differentiating factors in its products from the facts of the commission arrangements which were the subject of the FOS cases, within the scope of the FCA's motor finance commission review and the CoA cases.

In relation to any potential future liability for the Group, while the Group recognises that it may be liable to redress certain motor finance commission complaints and/or claims, there remains significant uncertainty regarding the outcomes of:

(i) the appeal of the Hopcraft decision in the Supreme Court; and

(ii) any resultant FCA action, including the potential implementation of a redress scheme.

There is additional uncertainty as to (i) the scope of any redress scheme and the redress methodology for eligible customers or, (ii) if there is not a redress scheme, the ultimate number of customers who may bring complaints or claims, the facts and circumstances of each individual claim and the extent to which these differ from the facts of the Hopcraft cases, the success rate of claims that proceed to litigation, the uphold rate of complaints, the average settlement or redress amounts and associated legal and operational costs.

The existence of a present obligation in respect of the FCA investigation will only be confirmed by uncertain future events not within the control of the Group and there is insufficient certainty to make a reliable estimate of any future financial obligation. This potential liability is therefore disclosed as a contingent liability.

The Group has however undertaken a review of its historical regulated motor finance lending that might be considered in scope of the Hopcraft decision as it stands to estimate its present obligation in respect of that decision across all businesses and subsidiaries. That review identified approximately £14m of total commission paid by the Group on regulated motor finance contracts not all of which will relate to broker-dealers. Taking into account all of the factors referred to above, an estimate of the liability has been made and the Group has not identified a material provision.

The Hopcraft decision related to the specific facts of the three cases before the court. Additional liabilities may exist in respect of other fact patterns or from the outcome of the FCA review. Any possible outflows arising as a result are uncertain and are therefore disclosed as contingent liabilities.

49. Events after the reporting period

There have been no significant events between 31 December 2024 and the date of approval of the 2024 Annual Report and Accounts that require a change or additional disclosure in the financial statements.

Other information

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Abbreviations

Throughout this document:

'**Company**' refers to:	Shawbrook Group plc
'**Group**' refers to:	the 'Company' and its subsidiaries
'**Shawbrook**' refers to:	the 'Group'
'**Shareholder**' refers to:	Marlin Bidco Limited

The following abbreviations are used within this document:

AI	Artificial Intelligence
ALCo	Assets and Liabilities Sub-Committee
APE	Average Principal Employed
API	Application Programme Interface
bps	Basis point
BMFL	Blue Motor Finance Limited
BML	Bluestone Mortgages Limited
BREEAM	Building Research Establishment Environmental Assessment Methodology
CBES	Climate Biennial Exploratory Scenario
CCA	Consumer Credit Act
CET1	Common Equity Tier 1
CFD	Climate Financial Disclosures
CGU	Cash generating unit
CMP	Credit Management Platform
the 'code'	UK Corporate Governance Code 2018
COVID-19	Coronavirus disease
CRD	Cash Ratio Deposit
CRD V	Capital Requirements Directive
CRM	Customer relationship management
CRR/CRR II	Capital Requirements Regulation
DEFRA	Department for Environment, Food & Rural Affairs
EAD	Exposure at default
EBA	European Banking Authority
ECL	Expected credit loss
EDI	Equality, diversity and inclusion
EEA	European Economic Area
EDI	Equality, diversity and inclusion
EEA	European Economic Area
EIR	Effective interest rate
EMTN	Euro Medium Term Note
EPC	Energy performance certificate
EU	European Union
ExRC	Executive Risk Committee
FCA	Financial Conduct Authority
FTE	Full time equivalent
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GDPR	General Data Protection Regulation
GHG	Greenhouse gas
HMRC	HM Revenue and Customs
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Interim Capital Requirements
IEA	International Energy Agency
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Internal Rating Based
ISAs	Individual Savings Account
ISDA	International Swaps and Derivatives Association
ISSB	International Sustainability Standards Board

Abbreviations

JBR	JBR Auto Holdings Ltd
LCR	Liquidity coverage ratio
LGD	Loss given default
MIP	Management Incentive Plan
MRIO	Multi-regional input-output
NABERS	National Australian Built Environment Rating System
NIST	National Institute of Standards and Technology
NSFR	Net stable funding ratio
OTC	Over-the-counter
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PMA	Post-model adjustment
POCI	Purchased or originated credit-impaired
PRA	Prudential Regulation Authority
REGO	Renewable Energy Guarantee of Origin
RGGO	Renewable Gas Guarantee of Origin
RMF	Risk Management Framework
ROPA	Record of Processing Activities
ROTE	Return on Tangible Equity
SAS	Statistical Analysis System
SDDT	Small Domestic Deposit Taker
SECR	Streamlined energy and carbon reporting
SICR	Significant increase in credit risk from initial recognition
SMEs	Small and medium-sized enterprises
SMF	Senior Management Function
SM&CR	Senior Managers and Certification Regime
SONIA	Sterling Overnight Index Average rate
SPPI	Solely payments of principal and interest on the principal amount outstanding
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Term Funding Scheme with additional incentives for SMEs
TML	The Mortgage Lender Limited
UN SDGs	United Nations Sustainable Development Goals
USA	United States of America
UK	United Kingdom
VCN	Vulnerable Customer Network

Time periods referred to within this document are defined as follows:

FY	Full year: 12 months from 1 January to 31 December
H1	First half: six month period from 1 January to 30 June
H2	Second half: six month period from 1 July to 31 December
Q1	First quarter: three month period from 1 January to 31 March
Q2	Second quarter: three month period from 1 April to 30 June
Q3	Third quarter: three month period from 1 July to 30 September
Q4	Fourth quarter: three month period from 1 October to 31 December

Performance indicators

Certain financial measures disclosed in the Annual Report and Accounts do not have a standardised meaning prescribed by international accounting standards and may not therefore be comparable to similar measures presented by other issuers. These measures are considered 'alternative performance measures' (non-GAAP financial measures) and are not a substitute for measures prescribed by international accounting standards. Definitions of financial performance indicators referred to in the Strategic Report (in alphabetical order) are set out below:

Arrears ratio	The Group calculates its arrears measure by including all accounts that are greater than 3 contractual payments down at month end but excluding loans that are term expired. This is then divided by the total loan book, excluding term expired loans. ABL and Development Finance loans are excluded from the arrears measure given there is no concept of arrears in these products.
Average principal employed	The average of monthly closing loans and advances to customers (net of loss allowance and fair value adjustments for hedged risk) and assets on operating leases included in property, plant and equipment.
Common Equity Tier 1 (CET1) capital ratio	Common Equity Tier 1 capital, divided by, risk-weighted assets.
Cost of risk	Impairment losses on financial assets, divided by, average principal employed.
Cost to income ratio	The sum of administrative expenses and the provisions charge/credit recognised in the statement of profit and loss, divided by, net operating income.
Gross asset yield	Operating income, divided by, average principal employed.
Leverage ratio	Total Tier 1 capital, divided by, total leverage ratio exposure measure.
Liability yield	Interest expense and similar charges, divided by, average principal employed.
Liquidity coverage ratio	Liquidity buffer, divided by, total 30-day net cash outflows in a standardised stress scenario.
Loan book	The sum of loans and advances to customers1 (net of loss allowance and fair value adjustments for hedged risk) and the carrying amount of assets on operating leases included in property, plant and equipment.
Life Time Value / Customer Acquisition Cost	The metric is based on originations for the year ended 31 December 2023. The metric is determined as the ratio between the average life time value (LTV) and the customer acquisition cost (CAC). LTV is an estimate of the average cash return an asset class will generate over its expected lifetime. CAC is the Day one costs to acquire that customer.
Cost:APE ratio	The sum of administrative expenses and the provisions charge/credit recognised in the statement of profit and loss, divided by, average principal employed.
Net interest margin	Net operating income, divided by, average principal employed.
Return on lending assets before tax	Profit before tax, divided by, average principal employed.
Return on tangible equity	Profit after tax (adjusted to deduct distributions made to holders of capital securities), divided by, average tangible equity. Average tangible equity' is calculated as, total equity less capital securities and intangible assets at the beginning of the period, plus total equity less capital securities and intangible assets at the end of the period, divided by two.
Risk-weighted assets	A measure of assets adjusted for their associated risks. Risk weightings are established in accordance with Prudential Regulation Authority rules and are used to assess capital requirements and adequacy under Pillar 1.
Total capital ratio	Total regulatory capital, divided by, risk-weighted assets.
Total Tier 1 capital ratio	Total Tier 1 capital, divided by, risk-weighted assets.
Wholesale funding	The sum of amounts due to banks and debt securities in issue.

1 For the purpose of this calculation, loans and advances to customers includes both loans measured at amortised cost and loans at FVOCI, along with loans transferred to assets held for sale, which are still considered to be part of the Group's overall loan book until derecognised.

Country-by-country reporting

The following disclosures are provided solely to comply with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. These disclosures may not be relied on for any other purpose.

The country-by-country reporting requirements originate from Article 89 of the Capital Requirements Directive (CRD IV). The purpose is to provide increased transparency regarding the source of the Group's income and the locations of its operations.

In both reported years, Shawbrook Group plc and its subsidiaries (the 'Group') are all UK registered entities.

The activities of the Group are detailed in Note 1 of the Financial Statements and in the Strategic Report. Details of subsidiary companies included in the Group are provided in Note 44 of the Financial Statements.

Required disclosures for the year ended 31 December are summarised below:

	2024 UK	2023 UK
Net operating income (£m)	**609.8**	586.5
Profit before tax (£m)	**295.1**	286.7
Tax charge (£m)	**75.2**	74.6
Tax paid (£m)	**85.5**	88.1
Average number of employees on a full-time equivalent basis	**1,519**	1,346

The Group received no public subsidies during either of the reported years.

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Shawbrook Group plc

Registered office: Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex, CM13 3BE.
Registered in England and Wales – Company Number 07240248.