

Shawbrook Group plc

Registration Document

October 2025

This document comprises a registration document (the “**Registration Document**”) relating to Shawbrook Group plc (the “**Company**” and, together with its subsidiaries, the “**Group**”) prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority of the United Kingdom (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (“**FSMA**”) (the “**Prospectus Regulation Rules**”). This Registration Document has been filed with, and approved by, the FCA (as competent authority under the UK version of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended) (the “**EUWA 2018**”) (the “**UK Prospectus Regulation**”)) in accordance with section 87A of FSMA and has been made available to the public as required by Rule 3.2 of the Prospectus Regulation Rules. The FCA only approves this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation, and such approval should not be considered as an endorsement of the Company that is the subject of this Registration Document.

The directors of the Company, whose names appear on page 37 of this Registration Document, (the “**Directors**”) and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, the information contained in this Registration Document is in accordance with the facts and this Registration Document contains no omission likely to affect its import.

This Registration Document should be read in its entirety. See Part I (*Risk Factors*) for a discussion of certain risks relating to the Group.



Shawbrook Group plc

(incorporated in England and Wales under the Companies Act 2006
with registered number 07240248)

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This Registration Document may be combined with a securities note and a summary to form a prospectus in accordance with the Prospectus Regulation Rules. A prospectus is required before an issuer can offer transferable securities to the public or request the admission of transferable securities to trading on a regulated market. However, this Registration Document, where not combined with a securities note and a summary to form a prospectus, does not constitute an offer or invitation to sell or issue, or a solicitation of an offer or invitation to purchase or subscribe for, any securities in the Company in any jurisdiction, nor shall this Registration Document alone (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with, or act as any inducement to enter into, any contract or commitment whatsoever with respect to any offer or otherwise.

Any securities of the Company referred to in this Registration Document have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and may not be offered, sold, pledged or otherwise transferred, directly or indirectly, in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of any such securities in the United States.

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The contents of this Registration Document are not to be construed as legal, financial, tax or investment advice. Each recipient of this Registration Document should consult his, her or its own legal, financial, tax or investment adviser for advice.

The date of this Registration Document is 6 October 2025.

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PART I

RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to investing in Shares, prospective investors should carefully consider the risk factors associated with any investment in Shares, the Group's business and the industry in which the Group operates, together with all other information in this Registration Document including, in particular, the risk factors described below.

The risk factors described below are not an exhaustive list or an explanation of all risks relating to the Group. Additional risks and uncertainties that are not currently known to the Directors, or that the Directors currently deem immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Registration Document and their specific circumstances.

This Registration Document contains "forward-looking statements" that involve risks and uncertainties. The Group's actual results may differ significantly from the results contemplated in forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed below.

Risks related to the Group's business

- 1. The Group's business is subject to inherent liquidity risks, particularly if the availability of sources of funding on which the Group has historically relied, such as retail deposits and wholesale funding, is disrupted, or becomes limited and/or significantly more expensive.**

Liquidity risk – the risk of having insufficient liquid assets to fulfil obligations as they become due or of the cost of raising liquid funds becoming too expensive – is an inherent part of the business of financial institutions such as the Group. The Group is currently funded by a mixture of retail deposits and wholesale funding (retail deposits and wholesale funding made up approximately 92 per cent. and 8 per cent., respectively, of the Group's funding liabilities as at 30 June 2025). The Group's ability to continue to access a sufficient level of retail deposit funding on reasonable terms or at all may be negatively affected by, among other things:

- any decrease in the maximum amount that the Group's retail customers can deposit into the Group's ISA savings products in each tax year;
- the availability and extent of deposit guarantees - if the UK Government were to withdraw the FSCS, or lower the amount of deposits which are guaranteed (currently £85,000 per person per institution), this could reduce the confidence of retail savers in the UK banking system and, in particular, in banks like the Group which have specialist lending capabilities, and may result in a reduced demand for the Group's retail savings products;
- any increase in regulatory constraints imposed on the Group and other businesses in the financial services industry or changes to the credit markets in general which could make wholesale funding less attractive, thereby increasing competition in the market for retail deposits; and
- losing the Group's relationships with its key savings partners.

If the Group does not price its retail savings products effectively or if the Group's distribution channels with respect to its retail savings products are disrupted, there could be reduced demand for the Group's savings products, and the Group may not be able to meet its funding requirements (in terms of both volume and duration) on reasonable terms. If the Group is unable to access sufficient retail deposit funding on reasonable terms for a prolonged period of time, the Group may not have sufficient funds for its growth strategy and the Group may have to increase the interest rates offered to retail customers to retain existing deposits and attract new ones, and/or seek funding from alternative sources which may be more expensive relative to the cost of retail deposits. If the Group is unable to pass on any such increase in its cost of funds to its lending customers through increased pricing on loans, this could have a material adverse effect on the Group's profitability.

The Group's funding needs may increase and/or its existing or planned funding structure may not continue to be efficient. The Group intends to continue to access wholesale funding in the future, but the availability of wholesale funding depends on a variety of factors, including market conditions, the general availability of credit (in particular, to the financial services industry), trading volumes, the presence of competition and the wholesale funding markets' assessment of the Group's asset quality and credit strength. These and other factors may limit the Group's ability to raise funding in wholesale markets on reasonable terms, which could result in an increase in the Group's cost of funding and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

A sustained period of being unable to access sufficient liquidity either from retail deposits (organically or through key savings partners) or wholesale funding may have a material adverse effect on the Group's ability to: (i) meet its financial obligations as they fall due; (ii) satisfy its regulatory minimum liquidity requirements; and/or (iii) fulfil its existing commitments to lend and its ability to originate new loans. In extreme circumstances, the Group may not be able to continue to operate without additional funding support, and any inability to access such support could have a material adverse effect on the Group's solvency.

2. The Group is subject to credit impairment risk, including risk associated with its exposure to a number of large-value loans, which may be impacted by adverse developments in the UK and globally.

The Group's customers may be unable or unwilling to repay, and may default on, loans advanced by the Group, which may result in the Group being unable to recover amounts due to it in respect of outstanding principal, interest and/or fees. Customers may be unable or unwilling to pay amounts due to the Group for a number of reasons, including changes in customer-specific circumstances and macroeconomic factors which, in each case, are outside the control of the Group. For example, the Group's retail customers, accessing both unsecured and secured lending, are particularly exposed to: (i) rising inflation, including rising energy and food prices in the short- to medium-term, which reduces their levels of disposable income; and (ii) rising interest rates, leading to increased borrowing costs.

Adverse inflationary and interest rate conditions can put pressure on the cost of risk across the Group's loan portfolio and can increase the Group's credit impairment risk due to the increased likelihood that individuals and entities to which the Group has advanced loans will be unable to service their debts to the Group. If the Group fails to adjust its lending criteria to take account of changes in the macroeconomic environment, including to take account of changes in the affordability of its loan products as a result of adverse inflationary and interest rate conditions, the Group may originate new loans which the relevant borrower is unable to service, which increases the Group's impairment risk. In addition, rising interest rates increase the cost of borrowing for the Group's retail customers and therefore the Group's credit impairment risk given its largest lending exposure is to residential mortgage assets.

As at 31 December 2024, the total value of the Group's loan book was £15.2 billion. The Group operates single name concentration limits which are designed to limit the Group's credit exposure to any one borrower, including a cap on the amount that can be loaned to any one borrower (without consent from the Board) which is set at £75 million. The Group had 16 SME loans outstanding as at 31 December 2024 with a credit exposure of greater than £25 million. The default of a significant proportion of these loans, or the Group's other loans which together represent a material portion of the Group's total loan book, could lead to a material reduction in the profitability and retained earnings of the Group, which in turn may impact the Group's capital ratios, its ability to meet its strategic objectives in the short- and medium-term, its financial condition and/or prospects.

3. A proportion of the Group's existing loan book comprises uncollateralised loans or unsecured loans, which, in the event of a default, carry an increased risk that the Group will be unable to recover the full amount of such loans, together with accrued interest and any associated fees, as a result of the absence of specific fixed asset security.

As at 31 December 2024, approximately 97 per cent. of the Group's loan book by value was secured. However, within that secured loan book, the Group has advanced loans with a value of approximately £1.3 billion (representing approximately 8 per cent. of the Group's total loan book as at 31 December 2024) which it classifies as 'uncollateralised'. While such loans are secured against the borrower's business (typically by way of all-asset security (debentures)) and the terms of such loans include a suite of financial covenants and material information provision undertakings, the Group classifies them as 'uncollateralised' because the Group typically does not have fixed security over specific assets with a value which is at least equal to the value of the loans advanced by the Group. Such uncollateralised loans, which are principally advanced by the Group's SME business unit, are extended to established businesses with a proven track record of profitability and cash generation, often alongside equity investment. Although less material in the context of the Group's overall loan book, the Group also advances unsecured loans in its Consumer Finance business (which represented approximately £0.4 billion or approximately 3 per cent. of the Group's total loan book as at 31 December 2024).

Uncollateralised lending and unsecured lending of the type described above carry a risk of increased credit impairment and write-offs when compared to collateralised lending where fixed security is taken over specific assets with a value which is at least equal to the value of the loan advanced by the lender. If a borrower defaults in respect of an uncollateralised loan advanced by the Group, there can be no guarantee that, at the time of a default, the value of a borrower's cashflows and/or other assets over which the Group has security will be sufficient to satisfy the borrower's obligations to the Group in full. Similarly, if a borrower defaults in respect of an unsecured loan due to bankruptcy or insolvency, the Group is likely to rank equally with the borrower's other unsecured creditors and may not be able to recover amounts due to the Group from that borrower in full. Any failure by the Group to recover amounts due from such borrowers could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

4. The Group is exposed to risks relating to relationships with its business partners through whom it distributes its products and any adverse changes in these relationships could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

The distribution model for the Group's various business lines relies on a number of business partners (for example, brokers and other intermediaries, in particular in the Group's Retail Mortgage proposition where it works with more than 4,600 UK brokers). In particular, the majority of the Group's retail customers are acquired via its business partners. Any failure or poor compliance, operationally or otherwise, by one or more of the Group's business partners has the potential to, among other things: (i) reduce the number of new loans originated by the Group; (ii) lead to a deterioration in customer service; and/or (iii) have a negative effect on the Group's reputation.

Although the Group requires its business partners to comply with certain service standards, in its capacity as a third party the Group does not have complete oversight or control of the interactions of its business partners with prospective customers and, consequently, the Group faces risks that the conduct of its business partners could fall below required standards. In addition, if business partners are found to have acted inappropriately or violated applicable conduct regulations or regulatory standards in the sale of the Group's loan products, the Group's brand and/or reputation could be harmed as a result.

There is also a risk that the Group could lose the services of its business partners, for example, as a result of market conditions or regulatory developments causing their closure or having their businesses acquired by the Group's competitors. Such events could result in a reduction in new originations via the Group's business partners and consequently a reduction in the rate of growth of interest income generated by the Group. Any reduction in new loan originations and/or the rate of growth of interest income could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

5. The competitive environment in which the Group operates may negatively affect the Group's ability to continue to expand in its current markets.

A core element of the Group's business strategy is to source loan originations in line with targeted volumes and rates by supporting customers and business partners (for example, brokers and other intermediaries, and professional introducers) who may be poorly served by other lenders and by providing them with a higher quality service. If other competitors target the same or similar markets as the Group, the Group may, despite its differentiated offering, find it more difficult, or be unable, to originate loans in line with projected volumes and rates.

The Group faces competition from established providers of financial services, including large and medium-size banks, building societies, specialist lenders and other financial institutions, many of which have greater scale and financial resources, stronger brand recognition, broader product offerings and more extensive distribution networks than the Group. While the Group believes that larger lenders may be less willing or less able to address the same lending market sub-sectors as the Group, and that customer preferences (particularly with respect to SMEs) have created significant opportunities in these sub-sectors, these factors are subject to change, which could adversely affect the Group's business.

The Group also faces potential competition from new market entrants, including other lenders with specialist lending capabilities, which may have an appetite for higher risk and/or may be willing to accept lower yields than the Group and may therefore offer products which are chosen by potential customers in preference to the Group's product offerings. For example, in the Commercial franchise, the continued growth of niche players and other more established brands (who are increasingly seeking higher yields by utilising more digitised finance solutions) means the marketplace has become more crowded, and differentiation has become more difficult as a result.

Any of the above factors could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

6. The Group is subject to risks relating to the conduct and operations of its third-party service providers.

In addition to its business partners through whom the Group distributes its products, the nature of the Group's business exposes it to a number of different third parties whose failure to perform could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

In particular, the Group's business is reliant on the major UK banks which act as clearing banks and payment services providers. The Group has encountered situations where, as a result of a clearing bank's failing to meet the service levels it agreed with the Group, borrowers have not received funds lent by the Group as expected, causing such borrowers, in some instances, to be unable to complete property purchases. Although where this has occurred historically this has typically been remedied quickly to minimise the impact on the borrower, there can be no assurance that these failures will not occur in the future or will not have a more substantial impact on the Group's business, nor that the general level of service provided by such clearing banks or payment services providers will not deteriorate in the future. Such failures in service levels have given rise to, and could in the future give rise to, financial loss and reputational damage which could cause harm to the Group and its business prospects. In addition, there can be no assurance that the fees which the clearing banks and payment services providers charge the Group will not rise. Any such outcome could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group has, since 2011, used the services of Target Servicing Limited ("**Target**"), a wholly-owned subsidiary of Target Group Limited (which became part of Tech Mahindra Limited in 2016), to provide certain account administration, customer servicing and arrears management services for the Group's Real Estate and Consumer Finance loans originated prior to 31 December 2021. Similarly, the Group relies on Capquest Debt Recovery Ltd ("**Capquest**") to provide full end-to-end servicing of all newly originated loans in the Group's unsecured consumer finance and legacy partner finance business units, and on Firstsource Solutions Limited ("**Firstsource**") as a contact centre partner which services the Group's Retail banking customers.

The services provided by Target, Capquest and Firstsource include the provision of certain notices and forms to the Group's customers in accordance with relevant regulatory requirements (although this does not alter the Group's own obligations in respect of regulatory compliance, given the Group retains legal title to the underlying assets). A failure by Target, Capquest or Firstsource to properly deliver these services, including failing to ensure the proper delivery, format and content of communications that are required to be sent to the Group's customers, failing to ensure proper customer data and funds management, failing to maintain regulatory permissions necessary to carry on their respective businesses (or being required to surrender such permissions, or to have them materially varied), could negatively affect the Group's reputation, customer relationships, and operations, and expose the Group to potential regulatory liability and customer complaints and claims. Such potential liability could give rise to a range of negative outcomes for the Group, including the award of financial compensation and/or other remedies to affected customers. The Group may be unable to recover its losses and/or costs in connection with such failings by Target, Capquest or Firstsource.

The Group proactively monitors the performance of its material third-party service providers, such as Target, Capquest and Firstsource, to mitigate the risk of any of the above outcomes occurring and has exit plans in place (which are regularly stress tested) to cater for a scenario in which the Group is no longer able to rely on their services. However, should any of the above outcomes occur, this could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and/or prospects.

7. The Group relies on its IT systems and the IT systems of the Group's key business partners, which are subject to potential disruption or failure, including as a result of cyber attacks and fraudulent activity.

The Group's operations are dependent on the effective application and operation of its IT systems and the IT systems of the Group's key business partners, which could potentially suffer significant disruptions or even failure. In the event of IT disruption or failure affecting the Group, the Group's backup systems are not, and are not intended to be, a full duplication of the Group's operational systems. Similarly, in the event of IT disruption or failure affecting the systems of one or more of the Group's key business partners on which the Group relies, there can be no guarantee that such systems will be able to be restored in full or in a timely fashion. Should a system failure or disruption occur, or should an incident occur for which there is no backup, the Group could experience a material adverse effect on its reputation, business, results of operations, financial condition and/or prospects. For example, if the systems operated by Capquest and/or Target, which each manage a significant proportion of the Group's retail lending customers, failed this would lead to significant customer disruption as such customers would be unable to access accurate account and payment information until the issue is resolved. This could have a material adverse effect on the Group's reputation and relationship with current and prospective customers.

IT disruption or failures can be caused by cyber attacks conducted by third-party actors and there have been several high-profile cases of successful cyber attacks against financial institutions. For example, in 2024, it was widely reported that Santander had suffered a data breach after a hacking group posted on the dark web purporting to sell bank account and credit card information belonging to millions of Santander customers. The Group has experienced a recent increase in attempted cyber attacks on the Group's IT systems and the Group expects to continue to be the target of such attacks in the future. For example, in November 2024, the Group, along with several other organisations, was the subject of a distributed denial of service (DDoS) attack which resulted in the Group's e-savings platform being unavailable for a short period of time and increased page load times on the Group's public website. Although the Group has measures in place which have historically prevented such attacks having a material adverse effect on the Group's operations, there can be no guarantee that such measures will always be successful in detecting or preventing all attempts to compromise the Group's systems.

Any successful attack on the Group's IT systems or the IT systems of the Group's key business partners could, among other things, result in unauthorised access to, modification, deletion and/or misappropriation of, information and/or data held by the Group or which relates to the Group's business and/or customers, which could materially disrupt the Group's operations, materially damage the Group's reputation and customers' trust in the Group (which may result in customers ceasing to utilise, or reducing their utilisation of, products offered by the Group), expose the Group to a risk of loss, fine, litigation and/or adverse regulatory findings and may require the Group to expend significant capital on remedial action.

The Group has adopted multi-layered 24/7 cyber security measures which are aligned to NIST and ISO27001 to mitigate the risk of a successful cyber attack and, in its past five financial years, the Group has not had any cyber security breaches. However, there can be no guarantee that a successful attack on the Group's IT systems will not occur in the future. All of the above, and other, consequences associated with a successful cyber attack against the Group could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

8. The Group's hedging strategy may not be effective.

Fluctuations in interest rates are influenced by factors outside of the Group's control and can adversely affect the Group's results of operations and profitability in a number of ways. The Group is exposed to risks relating to the effectiveness of the Group's hedging strategy, as outlined below. Any failure of the Group's hedging strategy could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

8.1 Execution risk

The Group's hedging strategy involves managing the interest rate and basis mismatch it has in respect of liabilities on its deposit book, on the one hand, and the income generated from its lending activities and investments, on the other. There can be no assurance that the Group's hedging strategy will be effective, particularly in unusual or extreme market conditions, for example, if behavioural curves prove to be incorrect.

8.2 Over-hedging risk and under-hedging risk

In order to implement its hedging strategy, the Group uses derivative instruments, including interest rate swaps, to reduce its exposure to fluctuations in interest rates. In particular, the Group may enter into interest rate swaps to hedge mismatches between its liability to pay interest on fixed rate deposits and income generated from mortgages and loans with floating rates. Alternatively, it may enter into interest rate swaps to hedge mismatches between income generated from mortgages and loans with fixed rates and its liability to pay interest on deposits with floating rates. The Group monitors its hedging position daily through reports to management.

The Group uses historical analysis to model expected prepayment of mortgage loans, however, there is a risk that the Group's modelled exposure to interest rate volatility is greater than or less than its actual exposure, resulting in the Group being over hedged or underhedged, respectively. For example, should a greater number of mortgages be prepaid than is expected by the Group, the Group may be over hedged. Conversely, if a lesser number of mortgages are prepaid than is expected by the Group, the Group may be under hedged and may suffer losses as a result of its unhedged interest rate exposures. In either case, the Group could incur significant losses on its associated hedges if it is required to unwind them at a time when they have a negative fair value.

Similarly, the Group may enter interest rate swaps to hedge mismatches between the interest rate payable on fixed rate deposits and the income generated from mortgages and loans with variable rates. In some cases, the deposit product terms allow early redemption or transfer of the deposit product. Should a significant number of deposits redeem or transfer early then the Group could incur significant losses on its associated hedges if it is required to unwind them at a time when they have a negative fair value.

9. The Group may be subject to privacy or data protection failures, and its confidential information may be wrongfully appropriated, lost or improperly disclosed, stolen or processed in breach of data protection regulation.

The Group is subject to regulation regarding the use of personal data and therefore must comply with strict data protection and privacy laws, including the UK GDPR and the Data Protection Act 2018, as amended. Such laws restrict the Group's ability to process personal information relating to customers and potential customers, including the use of that information for marketing purposes.

The Group controls, and processes, large amounts of personal customer data (including name, address and bank details) as part of its business. Therefore, the Group is exposed to the risk that it or any of the third-party service providers on which it relies might inadvertently process such personal data unlawfully or be affected by a data breach which results in the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, such personal data in contravention of data protection regulations.

Breaches of applicable data protection legislation by the Group or third-party data processors acting on the Group's behalf could materially damage the Group's reputation and its customers' trust in the Group (which may result in customers ceasing to utilise, or reducing their utilisation of, products offered by the Group); such breaches also expose the Group to the risk of regulatory proceedings, litigation and financial loss, including as a result of claims for compensation from data subjects and administrative fines which may be imposed by data protection regulators. Administrative fines for serious breaches of data protection laws can be significant – for example, although it takes a risk-based approach to enforcement action, the UK Information Commissioner has the power to impose fines of up to £17.5 million or 4 per cent. of the Group's annual global turnover (whichever is the greater) for serious breaches of UK GDPR and the Data Protection Act 2018. Any of these outcomes could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

10. Failure by the Group to manage change, including changes to its IT systems, could have a material adverse effect on the Group's business.

Effective change management is required to remain resilient, innovative and competitive, as well as to meet the Group's regulatory requirements. The Group regularly reviews its IT systems and makes changes to them where the Group identifies opportunities to enhance its internal processes and procedures and/or the service it provides to its customers. For example, the Group is currently implementing a new bespoke loan servicing system developed by Thought Machine, which should allow the Group to more effectively service its loan books in-house. The Group is also transitioning to a new end-to-end credit risk management platform for use by its Commercial franchise.

Although the Group believes that it has processes in place to manage changes to the Group's IT systems effectively, there is a risk that the Group fails to do so. Any failure to effectively manage and/or implement changes to the Group's IT systems (including any transition to new IT systems) could result in material disruption to the Group's operations, failures in the Group's internal processes and controls, and could require the Group to expend significant capital on remedial action. Those and other consequences which may be associated with a failure to manage and/or implement changes to the Group's IT systems (including any transition to new IT systems) could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group may also fail to effectively innovate, for example, by failing to develop new products that are attractive to its business partners and end customers, or by failing to develop its lending platform to provide a premium customer experience which is attractive to end customers. Any failure or delay in implementing the Group's change agenda or in innovating successfully could create delivery challenges and lead to disruptions in the Group's strategy and delivery of its objectives. The Group's strategy relies on adapting to and developing new technology which may, if it does not manage that adoption or development effectively, have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects. From the Group's perspective, a failure to manage its change agenda may have a particularly negative impact on its competitiveness. This is particularly so given the increasingly competitive landscape in which the Group operates as a result of the entry of FinTechs into the market.

11. The Group is exposed to operational risk resulting from inadequate or failed internal processes, fraud, systems failures or from external events.

Operational risk – the risk of financial and non-financial adverse impacts on the Group's business resulting from inadequacies or failures in internal processes, personnel or systems or from external events – is present across the Group's business. Sources of operational risk include, for example, historic or future fraud (whether by employees, sub-contractors or otherwise), errors by employees or sub-contractors, failure to document transactions properly or to obtain proper authorisation, equipment failures, natural disasters or the failure of systems and controls, including those of the Group's suppliers or counterparties.

Operational risks which crystallise could disrupt the Group's systems and operations significantly, which may result in financial loss, regulatory censure, adverse customer outcomes, customer complaints, litigation and/or reputational damage. For example, a failure by the Group to properly conduct due diligence on the assets financed by the Group in an asset-based lending transaction could undermine the Group's ability to recover the value of the amount due to the Group if the relevant debtor defaults. Similarly, the Group, as a deposit taker, could be impacted if a systems failure prevents a significant number of payments being made, which could lead to the Group's financial stability being undermined.

Any operational failure, including one to which the Group does not respond in a way that is consistent with its corporate values, stakeholder expectations and applicable law, may cause serious reputational and/or financial harm, or give rise to customer complaints and/or litigation, and could have a material adverse effect on the Group's reputation as well as on its business, results of operations, financial condition, prospects and/or stakeholder relations. If the Group's disaster recovery plans and procedures fail to respond adequately to catastrophic operational failures, the adverse effect of any such event may be amplified.

12. The Group is subject to risks relating to actual or alleged fraudulent activity carried out by its business partners, customers and third parties, and its reliance on information provided by business partners and customers which may be inaccurate or misleading.

The Group is exposed to many different customers and business partners. The Group's selection and screening processes with respect to its business partners and customers, as well as its internal relationship management processes, may not effectively identify the Group's customers or business partners engaging in fraudulent activity. Any such fraudulent activity could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects, and any actual or alleged fraudulent activity may impact the Group's reputation and/or relationship with its stakeholders.

The Group is also exposed to risks relating to the fraudulent activity of third parties which adversely affects the Group's customers. The Group's internal processes and procedures may fail to prevent its customers from suffering loss as a result of the fraudulent activities of third parties, which may in turn expose the Group to financial loss and reputational damage. In addition, future regulatory changes requiring banks to take additional steps to prevent fraud or to compensate victims of fraud could increase the Group's issues and/or costs and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

The Group is also reliant on the accuracy and completeness of information it receives from its business partners, credit reference agencies and customers; for example, in its Real Estate business, where customers have falsified or forged financial information to overstate salary or earnings and borrow more money than they can service. The Group may suffer loss in the event the relevant customer fails to repay their borrowings from the Group. Further, the Group is increasingly reliant on a number of non-face-to-face and digital decision-making platforms which, together with its associated risk models, depend on the accuracy and reliability of information submitted by intermediaries. If the Group receives inaccurate or misleading financial statements, credit reports or other financial information relating to its borrowers, such borrowers may be more likely to default on their obligations to the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

13. The Group is subject to conduct risk, including the risk that its actions result in poor or unfair outcomes for the Group's customers.

Conduct risk is the risk that acts or omissions of the Group, or individuals within the Group, result in poor or unfair outcomes for the Group's customers, investors and/or stakeholders or otherwise affect market integrity, competition and counterparties. Conduct risk may arise where the Group: (i) fails to design, implement or adhere to appropriate policies and procedures; (ii) offers products, services or other propositions that do not meet the needs of customers or fail to perform in accordance with their intended design; or (iii) fails to communicate appropriately with customers. This risk may also arise where the Group fails to deal with complaints effectively, sells or recommends unsuitable products or solutions to customers, fails to provide them with adequate information to make informed decisions, or fails to do any of the foregoing on an ongoing basis after initial sales, among other things. Conduct risk can arise across three main areas of the Group's business: (i) product design; (ii) sale and distribution; and (iii) post sales and services. An example of a conduct issue would be a failure to recognise and appropriately manage vulnerable customers either at the point of offering a product or where existing customers suffer a change in circumstances. Upon crystallising, conduct risk may manifest in a breach of law or regulation (in addition to the possibility of complaints and adverse customer outcomes) and may lead to litigation, regulatory sanctions, financial loss and reputational damage for the Group.

UK regulated firms are expected to maintain effective processes to identify and manage conduct risk, and when supervising a regulated firm the FCA (as the primary conduct regulator of dual-regulated firms) will focus in particular upon whether a firm has *"robust governance arrangements, which include a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks it is or might be exposed to"*, including with respect to conduct risk (SYSC 4.1.1R(1)). In addition, the PRA also expects banks such as Shawbrook Bank to *"articulate and maintain a culture of risk awareness"*.¹ In addition, the Consumer Duty imposes an obligation upon the Group to ensure good outcomes for its retail consumers, with the FCA noting that Principle 12 of the FCA's Principles for Firms (introduced pursuant to the Consumer Duty) *"reflects the positive and proactive expectations we have of firm conduct, and our desire for firms to think more about customer outcomes and place customers' interests at the heart of their activities"*.² The FOS will consider the Group's compliance with regulatory requirements and expectations regarding conduct when determining what would have been fair and reasonable in all the circumstances of a case brought before it. The occurrence or continuation of one or more of the abovementioned risks by the Group or any of the Group's business partners, or any failure to manage one or more of such risks effectively, could result in significant costs of redress, litigation, adverse FOS rulings and/or damage to the Group's reputation, any of which could have a material adverse effect on the Group's business, results of operations, stakeholder relationships, financial condition and/or prospects.

¹ PRA, *The Prudential Regulation Authority's approach to banking supervision*

² FCA, *FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty* (July 2022)

The conduct risk to which the Group is exposed is complicated by virtue of the fact that the standards of appropriate conduct which Group entities are required to comply with may change as a result of changes in law and regulation. For example, the Consumer Duty (referred to above) was initially announced in July 2022 and came into force from July 2023, requiring regulated firms to develop and implement new frameworks and procedures, and exposing the Group to a new form of conduct risk. The Group may become subject to new regulatory and legal requirements (or existing regulatory and legal requirements may be reinterpreted in new ways by the FCA, FOS or courts) in a way which increases the conduct risk to which it is exposed.

14. The Group's risk management framework, systems and processes, and related guidelines and policies, may prove inadequate to manage its risks, and any failure to properly assess, respond to or manage such risks could harm the Group.

The Group's approach to risk management requires senior management to make complex judgements, including decisions which are based on assumptions, about the level and types of risk that the Group is willing to accept to achieve its business objectives. These also include judgements as to the maximum level of risk the Group can assume before breaching constraints determined by applicable law, including its regulatory capital and liquidity requirements. Given these complexities, and the dynamic environment in which the Group operates, the decisions made by senior management may be based on inaccurate assumptions, may not be appropriate and/or may not yield the results expected. In addition, senior management may be unable to recognise emerging risks for the Group quickly enough to take appropriate action in a timely manner.

The Group operates a "Three Lines of Defence" model for managing risk pursuant to which: (i) primary responsibility for identifying, measuring, managing, reporting and challenging risk lies with each of the Group's customer-facing franchises, their respective operational teams and certain central functions; (ii) oversight and governance is, as a second line of defence, provided by the Group's risk function via the provision of specialist support and advice, control functions, policies and committees; and (iii) the Group's internal audit function provides independent assurance directly to the Board and the Group's Audit Committee over the adequacy and effectiveness of the control mechanisms in place to mitigate the Group's exposure to risks as a third line of defence. There is nevertheless a risk that the Group's "Three Lines of Defence" model for managing risk may not be deployed correctly or used as intended or may otherwise prove inadequate, resulting in financial loss or increased expense to the Group.

If the Group is unable to effectively manage the risks it faces, its reputation, business, results of operations, financial condition and/or prospects could be materially adversely affected.

15. The Group is reliant on its reputation and the appeal of its brand to its business partners and customers. Any damage to the Group's reputation or brand appeal could harm the Group and its business prospects.

The success of the Group's strategy relies significantly on the reputation of the Group and its senior management, as well as on its customers and business partners, including brokers and other intermediaries, associating its brand with fast decisions, transparency, fairness, meeting customer needs and delivering value to those customers. Any circumstance that causes real or perceived damage to the Group's brand may negatively affect the Group's relationships with its stakeholders (for example, business partners and customers), which could result in such business partners and/or customers ceasing to do business with the Group. Any loss of the Group's relationship with its key business partners or a significant loss of customers could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Potential reputational issues could arise in a wide range of circumstances, but key examples include: (i) any breach, or alleged breach, of applicable law or regulation (including in particular those which may attract significant publicity such as a breaches of the Group's regulatory capital and liquidity requirements, anti-money laundering, anti-bribery and/or anti-terrorist financing rules, or rules designed to protect consumers such as conduct and consumer credit laws); (ii) failure, or any alleged failure, to protect customer data (for example as a result of a significant data breach or cyber attack); (iii) failure to execute lending transactions on time or failure to provide customers with access to their deposits on demand, in such a manner as to call the financial stability of the Group into question; and (iv) any change in the terms of the Group's product offerings or pricing in a manner that may result in outcomes for customers which are unfair, or which are perceived to be unfair.

Any failure to address reputational issues appropriately and in line with the Group's values and purpose could make business partners and customers unwilling to do business with the Group, which could have a material adverse effect on its business, results of operations, financial condition and/or prospects and could damage its relationships with its stakeholders such as employees, regulators and current and future shareholders.

16. The Group is dependent on its models and analytical tools, including digital decision-making platforms, and is exposed to the risk that such models and platforms may produce unintended outcomes.

The Group relies on models and analytical tools, such as its risk models, and is dependent on its digital auto decision-making platforms to pursue its strategy within its risk appetite. For example, the Group's Retail franchise is particularly reliant on platforms providing auto-decisioning, with auto-decisioning being used to assess almost 100 per cent. of the Retail franchise's personal loan applications.

There is inherent risk associated with relying on models and auto-decisioning platforms. The efficacy and reliability of such models and platforms rely, among other things, on the assumptions and data used to support them. Such assumptions and data may be or may become inaccurate or out-of-date, and may fail to take into account events which were unforeseen at the time the relevant model or auto-decisioning platform was designed or last updated (including, for example, unforeseen economic, political or market conditions or regulatory change). Weaknesses in, and failures of, the Group's models and auto-decisioning platforms may not be detected by the Group in a timely fashion or at all.

Once the Group has identified a weakness in, or failure of, its models or auto decision-making platforms, or has determined that unforeseen economic, political or market conditions or regulatory action have resulted in a need to recalibrate its underwriting criteria or its risk appetite, the Group may be unable to update the relevant models and/or platforms in a timely fashion. This could result in the Group advancing loans which are inconsistent with its then-strategy and/or risk appetite. Conversely, weaknesses in, or failures of, the Group's models and auto decision-making platforms, may result in the Group turning down loan applications that would otherwise have been consistent with its then strategy and/or risk appetite.

If the Group advances loans which are inconsistent with its strategy and/or risk appetite, this may expose the Group to increased impairment risk, increased arrears and/or defaults and/or regulatory capital issues (for example through being required to hold additional capital in respect of them). Conversely, if the Group declines to advance loans which would otherwise be consistent with its strategy, this may result in the loss of potentially profitable opportunities. Any of the foregoing could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

17. The Group may not realise its anticipated benefits from recent and future corporate acquisitions and may be exposed to liabilities within any businesses, including asset portfolios, acquired by the Group.

The Group continues to consider opportunities for strategic acquisitions. The success of acquisitions depends on, among other things, the Group's ability to integrate the businesses of the acquired companies in a manner that permits growth without materially disrupting customer relationships or diverting management's attention. There is a risk that the Group may not realise all or some of the benefits which it expects or expected to achieve in relation to a given corporate acquisition, or that it takes longer than anticipated to realise such benefits.

Additionally, if the integration efforts or any reorganisations following the Group's acquisitions are not successfully managed (including as a consequence of the occurrence or assumption of unknown or unanticipated liabilities or contingencies with respect to, among other things, customers, employees, suppliers, government authorities or other third parties) such acquisitions could result in loan losses, the assumption of liabilities, loss of key employees, a loss of focus on business strategy, impairment of goodwill, disruption of the Group's on-going business and management attention or inconsistencies in standards, controls, procedures and policies which could negatively impact the Group's ability to maintain relationships with customers and employees or to achieve the anticipated benefits of acquisitions.

While the Group undertakes customary due diligence in relation to acquisitions, there may be risks which are not identified in the course of due diligence and which expose the Group to unanticipated loss, damage, liability or expense. The Group may also be exposed to liabilities within any businesses, including any asset portfolios, which the Group may acquire. Historically, the Group has not suffered material losses arising from such unidentified issues. However, there can be no guarantee that such losses will not be incurred in the future.

Any of the above issues arising from the Group's acquisitions could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

18. The Group could fail to attract or retain key personnel.

The successful management and operations of the Group rely on the contributions of certain key personnel, including senior management, as well as origination, underwriting, technology and data and risk employees. In addition, the Group's future success depends in part on its ability to continue to recruit, motivate and retain highly experienced and qualified employees who fit with the Group's culture and are able to implement the Group's strategy.

There is intense competition in the financial services industry for skilled personnel, and the Group may not be able to hire or retain enough qualified staff at an acceptable cost. This challenge is heightened by regulatory changes to bankers' remuneration, such as the removal of the bonus cap and potential future deregulation, which may allow larger or better-capitalised banks to offer more attractive pay packages than those which the Group is able to offer. Additionally, evolving employee expectations – such as preferences for hybrid working, flexible hours, and improved work-life balance – mean that if the Group does not adapt its employment terms accordingly, it may struggle to attract or retain key talent.

The loss of service of key personnel, or an inability of the Group to attract new personnel, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

19. The Group's accounting policies and methodologies are important to ensure accurate reporting, and they require management to make estimates about matters that are uncertain.

Accounting policies and methodologies are fundamental to how the Group records and reports its financial condition and results of operations, and management must exercise judgement in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

The Group has identified certain accounting policies in the notes to its financial statements for FY 2022, FY 2023 and FY 2024 in respect of which significant judgement is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. Such judgements and associated assumptions and estimates are based on historical experience and various other factors that are considered by management under the circumstances at the time, and may prove to be incorrect, which could lead to inaccuracies in the reported financial position and performance of the Group that could be material.

The Group may be required to make changes in accounting policies or restate prior period financial statements in the future. Any such changes or restatements could be material in nature and could result in the Group's results of operations as restated being materially different to those previously reported in relation to the relevant accounting period.

20. The Group's insurance coverage may not be adequate to cover all possible losses that it could suffer, and its insurance costs could increase in the future.

The Group's insurance policies do not cover all types of potential losses and liabilities which the Group may suffer and are subject to limits, exclusions and excesses; for instance, certain types of risk and losses (including losses resulting from acts of war or certain natural disasters, and credit risk) are not economically insurable or generally insured. For example, since 2019, the Group has not obtained insurance against claims made by consumers pursuant to section 75 of the CCA as this was no longer available on commercially acceptable terms. In certain circumstances, section 75 of the CCA allows consumers to claim against lenders for a breach of contract or misrepresentation by a supplier of goods or services where the supply to the consumer was financed pursuant to one or more regulated consumer credit agreements. In addition, there may be new risks that the Group faces in the future for which the Group cannot obtain insurance on terms which it believes to be reasonable. There can be no assurance that the Group's insurance will be sufficient to cover the full extent of all losses or liabilities for which it is ultimately responsible and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all, or that insurance premiums will not increase substantially.

Furthermore, the Group's insurance policies, in certain circumstances, could be void or voidable at the option of the insurer, for example, due to a failure by the Group to comply with their terms which could erode coverage or even negate cover. The Group's insurers may also seek to defend claims where the amount claimed is significant, which could result in delayed or reduced recovery, or no recovery, in respect of any insurance claim.

Accordingly, to the extent that the Group suffers loss or damage that is not covered by insurance, or which exceeds its insurance cover, the Group's financial condition may be adversely affected as such loss or damage would then need to be funded from the Group's own financial resources.

21. The Group is subject to legacy conduct risk relating to the conduct of certain distribution partners.

The Group's Consumer Finance proposition historically offered a number of lending products linked to funding specific purchases made by consumers from certain business partners of the Group (i.e., partner finance). Such products were designed to allow customers to finance home improvements (such as the installation of solar panels) and holiday home and timeshare purchases, and included interest-free credit, interest-bearing loans and buy now, pay later loans.

Although the Group exited the partner finance market in April 2024, it remains exposed to legacy liabilities to certain customers under sections 56, 75, and 140A of the CCA. In the Group's experience, the activities of claims management companies, which bring potential claims and complaints to the attention of consumers and thereafter pursue them on behalf of the consumer (often on a 'no win, no fee' basis) increase the likelihood that claims under the CCA will be made in greater volumes than they might otherwise be, therefore increasing the risk that such CCA liabilities will crystallise. The Group's provisions in respect of legacy liabilities under the above sections of the CCA principally relate to complaints from customers about holiday ownership (timeshare) products for which the Group historically provided the finance to fund customers' purchases of those products. Such provisions relating to timeshare products totalled £7.7 million as at 30 June 2025. These and other similar provisions recognised by the Group represent management's best estimate of the Group's likely costs associated with such liabilities. However, due to inherent uncertainties – such as the number of future complaints which may be received, the extent to which such complaints will be upheld and the average cost of redress – there is a risk that actual liabilities may exceed the Group's provisions which may adversely impact the Group's results of operations, profitability and financial prospects.

Risks related to the macroeconomic environment in which the Group operates

22. The Group's business and financial performance have been and will continue to be affected by general economic and market conditions in the UK and globally.

As the Group's operations are based entirely in the UK, the Group is significantly exposed to the condition of the UK economy. In particular, factors such as UK property prices, levels of employment, levels of business confidence, interest rates, inflation, the cost of living and changes in consumers' disposable income, can each have a material effect on the Group's borrower customers' ability to service their debts to the Group and on demand for the Group's lending and savings products. In the event of disruption to the UK economy, the Group may be disproportionately affected when compared with banking groups whose operations are less concentrated in the UK.

For example, the Group believes there is a risk that recent changes arising from the UK Government's Autumn 2024 Budget, such as the 16.3 per cent. increase in the minimum wage for 18 to 20-year-olds and the increase in the rate of employers' national insurance contributions to 15 per cent. (both of which took effect in April 2025), could increase inflationary pressure. If inflation does rise further as a result of these or other factors, this is likely to continue to put pressure on household budgets and disposable incomes and increase business costs. This may in turn increase the risk of arrears and/or defaults by affected customers and could reduce demand for the Group's savings products.

As well as domestic factors affecting the UK only, the Group is also exposed, directly and indirectly, to global and domestic geopolitical developments and volatility in the global economic and financial markets, both generally and as they specifically affect financial institutions. Global financial markets are subject to uncertainty and volatility created by a variety of factors. These factors include the actual, and anticipated, monetary and fiscal policies of current and future governments, expected or actual changes in key economic indicators in one or more jurisdictions (for example, gross domestic product, inflation and manufacturing activity), natural disasters, armed conflicts such as the war in Ukraine and the conflict in the Middle East, and uncertainty in global markets arising from actual or anticipated trade wars, for example the increase in U.S. tariff rates. Due to the integrated nature of global financial markets, issues affecting one market or part of a market outside of the UK can rapidly spread and cause uncertainty and volatility in other markets or parts of markets, including the UK, where the Group's operations are focused.

A deterioration of economic and market conditions in the UK and/or prolonged volatility could have an overall material adverse effect on the Group's business, results of operations, financial condition and/or prospects. Conversely, improving economic and market conditions may lead to borrowers repaying or refinancing their loans early, or relying less on loans provided by the Group. While improved economic and market conditions may create new lending opportunities, these may not offset the effects of early repayments or lost lending opportunities and, as a result, the Group's loan book may become smaller than anticipated.

Adverse economic and market conditions are likely to impact each of the Group's lending divisions in different ways, as described in further detail below.

22.1 Real Estate and Retail Mortgage Brands

Disruptions in the UK credit markets or general economic conditions in the UK could negatively impact buy-to-let borrowers from the Group's Real Estate and Retail Mortgage Brands businesses, such as professional property investors and landlords. For example, reduced rental incomes – which may result from, among other things, increased tenant defaults and/or decreased disposable household incomes (for example, as a result of rising unemployment or an increased cost of living), inflation in the cost of property maintenance services and/or increased compliance costs due to changing regulation relating to the obligations of landlords – may impair borrowers' ability to repay their loans from the Group. Similarly, decreased disposable incomes as a result of rising unemployment, a rising cost of living or other economic factors could impair homeowners' ability to service owner-occupied mortgages advanced by the Group. Adverse economic and market conditions may also result in prospective property investors, landlords and/or homeowners being less willing or unable to complete new property purchases which would otherwise be financed by the Group. Any of the foregoing outcomes could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Adverse economic and market conditions could also negatively affect residential property prices in the UK (or in a particular region in the UK to which the Group has significant exposure, such as Greater London and the South East of England), reducing the value of the collateral for loans and potentially limiting the Group's ability to fully recover the estimated value of the property-securing loans upon repossession. This may result in increased impairment charges for the Group which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

As at 30 June 2025, 85 per cent. of the loans which were then outstanding in the Group's Real Estate business and 46 per cent. of the loans which were then outstanding in the Group's Retail Mortgage Brands business, were provided on an interest-only basis, meaning that interest is paid during the term and the principal balance is repaid in full only at maturity. As at 30 June 2025, the weighted average current LTV for the mortgage loans which are outstanding in the Group's Real Estate business and Retail Mortgage Brands business was approximately 67 per cent. In adverse market and economic conditions, borrowers with interest-only mortgages may struggle to repay their loans in full at the contractual maturity date. While the Group may offer to extend such loans, there remains a risk that, at the maturity of the loan, borrowers do not have a sufficient amount of income or assets to support a refinancing of their loans. This may lead to an increase in impairment charges on the Group's Real Estate loan portfolio and thus could have a material adverse effect on its profitability.

The property market has an important role in the UK and presents a systemic risk to the UK economy. For these reasons, the property market remains under active regulatory focus with the buy-to-let market and private rented sectors, in particular, under increasing regulatory scrutiny.

22.2 SME

Adverse economic and market conditions could negatively impact customers of the Group's SME business unit. For example, development finance customers have experienced significant increases in the cost of building materials since the beginning of 2020 due to, among other things, Brexit-related supply chain issues, COVID-19 lockdowns, and higher global demand for, and reduced production of, raw materials such as timber, steel and cement. Although the cost of building materials is now gradually easing, prices remain significantly above pre-2020 levels. These elevated costs may impair borrowers' ability to repay their loans from the Group; any resulting increase in arrears and defaults would increase impairment charges for the Group and could reduce its profitability and lending capacity.

Adverse economic and market conditions may also affect SME borrowers' revenue and viability and result in more borrowers breaching loan covenants and entering administration. In the event of a default by a borrower, the Group may enforce its rights under the loan agreement and, where the loan is collateralised or secured, call on collateral or security taken by the Group; however, adverse economic and market conditions could also negatively affect the value of the underlying assets provided as security for loans granted by the Group. This could result in the Group being unable to recover the estimated value of the secured assets upon repossession and to the residual value assigned to the asset being less than any value achieved on sale. Any such reduction may result in increased impairments for the Group which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Furthermore, SMEs are less likely to experience growth in a weak economic climate, which could reduce demand for funding and hence reduce new lending opportunities. Any such reduction in new lending opportunities could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

22.3 Consumer Finance

Adverse economic and market conditions could weaken the financial position of borrowers in the Group's Consumer Finance business, which may lead to an increase in arrears and defaults, resulting in greater impairment charges and negative pressure on the Group's profitability. Moreover, demand for loans to fund discretionary purchases – such as loans from the Group's motor finance proposition to finance high-end luxury vehicles – may fall during periods of economic decline, potentially reducing the Consumer Finance business' new lending opportunities.

23. Changes in interest rates may negatively impact the net interest income and profitability of the Group.

Interest rates on the Group's loan products are either fixed rate, linked to base rates, linked to SONIA or determined by the Group depending on a range of factors, including interest rate movements. Changes in interest rates are driven by macroeconomic and monetary policy factors which are outside of the Group's control, including decisions by the Bank of England with respect to the Bank Rate and market expectations of the future rate environment.

The Group's existing customers may be negatively affected by sudden interest rate movements, for example by reducing demand for the Group's loan products and reducing repayment affordability in the case of a sudden increase in interest rates. Conversely, falling interest rates may increase demand for the Group's loan products and boost repayment affordability for existing customers.

Although the Group monitors market conditions closely to allow it to respond effectively to changes in interest rates, sudden movements may cause short-term impacts on the net interest income of the Group. Depending on prevailing market conditions at the relevant time and the severity and nature of any interest rate movement, such changes may be positive (resulting in an increase in the Group's net interest income) or negative (resulting in a decrease in the Group's net interest income). Should any change in interest rates result in a material reduction in the Group's net interest income, this could have a material adverse effect on the Group's business, profitability, financial condition and/or prospects.

24. The Group's existing customers may be negatively affected by interest rate movements, which could in turn increase defaults, arrears and forbearance, and reduce demand for the Group's loan products and have a material adverse effect on the Group.

Interest rates on the loan products offered by the Group are either fixed rate, linked to base rates, linked to SONIA or determined by the Group depending on a range of factors, including interest rate movements ("administered rate").

Increases in the Bank Rate, SONIA, administered rates or other external benchmark rates may result in larger monthly repayments for individuals and entities to whom the Group provides loans, which may in turn lead to increased defaults and therefore impairment charges. Since December 2021, the Bank Rate has increased sharply from 0.1 per cent. to 5.25 per cent. in August 2023. Although the Bank of England has now begun to reduce the Bank Rate (to the current rate of 4.00 per cent.), there can be no guarantee that this trend will continue and, in any event, the Bank Rate remains significantly above the average Bank Rate in the 2009 to 2021 period. As such, UK borrowers who are exposed to variable rate lending products, or who are now refinancing existing fixed rate products which previously offered lower interest rates, are experiencing borrowing costs which are much greater than those which may have been anticipated at the time those existing loans were drawn. There is a risk that such borrowers will not be able to bear those increased costs, which could increase default levels, arrears, forbearance and impairment charges suffered by the Group. These increased impairment charges may more than offset any increases in interest income, resulting in lower-than-expected profitability.

Similarly, increases in the Bank Rate, SONIA, administered rates or other external benchmark rates may also negatively affect the Group's new lending opportunities by reducing demand for loan products. Individuals and SMEs are often less able, and may be less willing, to borrow when interest rates are high. The foregoing may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects, particularly in relation to the loan and savings products that the Group offers.

25. The Group could be negatively affected by any actual or perceived deterioration in the soundness of other financial institutions.

Given the high level of interdependence between financial institutions, the Group is and will continue to be subject to the risk of actual or perceived deterioration in the commercial and financial soundness of other financial services institutions. Within the financial services industry, defaults by any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to a fall in consumer and business confidence in the stability of similar institutions and in turn trigger significant liquidity problems, losses and/or defaults by such institutions because the commercial and financial soundness of many financial institutions may be, or perceived to be, closely related as a result of their credit, trading, clearing or other relationships. For example, the Group's ability to raise wholesale funds may decrease if there is a failure by other financial institutions.

Even the perceived lack of creditworthiness of, or questions about, a financial institution may lead to market-wide liquidity problems (as was the case following the insolvency of Lehman Brothers in 2008) and losses or defaults by the Group or by other institutions. This risk is sometimes referred to as "systemic risk" or "contagion" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses and banks with whom the Group interacts on a daily basis. The collapse of Silicon Valley Bank ("**SVB**") in March 2023 and other U.S. bank failures gave rise to a perceived risk of contagion, in particular in the U.S. banking sector. This forced the U.S. Federal Reserve to introduce an emergency loan programme, the Bank Term Funding Programme, to provide liquidity to financial institutions affected by the collapse of SVB and to reassure U.S. borrowers that their deposits were safe. Unmitigated systemic risk could have a material adverse effect on the Group's ability to raise new funding and liquidity as well as on its business, results of operations, financial condition and/or prospects.

Any actual or perceived deterioration in the soundness of other independent specialist banks may also affect perceptions of the commercial and financial soundness of the independent specialist banking sector as a whole, including the Group. This could also have a material adverse effect on the Group's ability to raise new funding and liquidity as well as on its business, results of operations, financial condition and/or prospects.

26. The Group is exposed to climate-related physical risks and transition risks.

Many national governments have, through the UN Framework Convention on Climate Change process and Paris Agreement, and through United Nations Climate Change Conferences held in 2021, 2022, 2023 and 2024, made commitments to enact policies which support the transition to a lower carbon economy, limiting global warming to less than 1.5°C and therefore mitigating the most severe physical effects of climate change.

Such policies may, however, have significant impacts; for example, increased regulation in the property sector may reduce the profitability of the businesses of some of the Group's clients and therefore affect their ability to repay existing loans and/or demand for its financial products and services. The transition to a lower carbon economy could also lead to lower growth and productivity and the potential for operational risks and underwriting losses 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 climate policy and how other financial institutions embed climate risk in their business models. There is a potential risk to the Group relating to changes in laws, regulations, policies, obligations, government actions, and the Group's ability to anticipate and respond to such changes (which may be abrupt or unanticipated), including emission targets or carbon taxes, which may give rise to adverse regulatory, legal or market responses for the Group and impact its brand and reputation. In addition, the Group's regulators have detailed expectations regarding how UK banks should manage climate risk, which are regularly updated to ensure alignment with international standards.

An actual or perceived failure to address stakeholder concerns on the potential impact of climate change or actual or perceived failure by the Group to adequately respond to the transition to a low-carbon economy, or to respond to societal expectations with respect to that transition, could have a material adverse effect on the Group's reputation. For example, such actual or perceived failures may arise if the Group provides funding to borrowers in carbon-heavy sectors, or fails to provide funding to borrowers active in the green economy, such as those in the renewable energy sector. A clear and purposeful environmental, social and governance strategy is key to supporting long-term sustainable performance, including strong engagement from all employees.

If governments fail to enact policies which limit global warming, the Group's markets are particularly susceptible to the 'physical' risks of climate change such as flood risk to the Group's mortgage portfolios and tightening energy efficiency standards affecting property exposures. These risks could also lead to impacts on the economy through business disruption, asset destruction and migration. This may drive market and credit losses for the Group through lower property and corporate asset values, lower household wealth and lower corporate profits.

The occurrence or continuance of any of the above risks could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Risks relating to the legal and regulatory environment in which the Group operates

27. The Group's business is subject to substantial and changing laws and regulation.

The Group is subject to authorisation and regulation by governmental and regulatory bodies in the UK. The provision of financial services by the Group is heavily regulated and it must comply with numerous laws and regulations, in particular FSMA and the CCA, secondary legislation derived from these enactments, and rules made by the PRA and FCA. The Group may face enforcement action from regulators for any failure to comply with these laws, regulations and rules or with directions made by the regulators, and the FOS will assess compliance with applicable laws and regulations when determining complaints brought before it. Financial institutions and their employees have also been subject to customer complaints and claims, and regulatory investigation and/or enforcement action, regarding undisclosed commissions and discretionary commission arrangements paid to intermediaries, mis-selling of financial products, adequacy of systems and controls, affordability of credit products sold to customers, handling of customers in arrears and conduct leading to customer detriment, and the mishandling of related complaints. These complaints and/or regulatory interventions have in some cases resulted in, and may in the future result in, disciplinary action and/or requirements to amend sales processes, withdraw products and/or provide restitution or redress to affected customers.

The UK regulatory framework is subject to continuing change – the level of which has increased following the so-called Edinburgh Reforms announced by the then-Chancellor of the Exchequer on 9 December 2022, the coming into force of the Financial Services and Markets Act 2023, and the so-called Leeds Reforms announced by the current Chancellor of the Exchequer on 15 July 2025 – and the Group will both be required to comply with relevant changes, and will need to ensure that it is able to exploit any efficiencies arising from advantageous regulatory changes. Any material failure to comply with existing or future applicable laws, regulations, rules and other guidance could result in litigation, investigations or enforcement actions that may lead to fines or suspension or termination of the Group's authorisations. In addition, such failure to comply, revocation of the Group's authorisations or any litigation, investigations or enforcement actions against the Group may damage the reputation of, or increase the compliance risk and conduct risk for, the Group. Any of these developments could have a material adverse effect on the Group's ability to conduct business and on the Group's results of operations, financial condition and/or prospects.

As a consumer credit provider, the Group will be subject to the possibility of the FCA exercising its product intervention rules, imposing penalties, requiring reimbursement to customers and imposing other sanctions if the FCA identifies non-compliance. The Group may incur liability in connection with any past non-compliance with consumer credit legislation or with other similar legislation, and any withdrawal of products or non-compliance could be significant and adversely affect the Group's results of operations and financial position and its reputation.

There remains a risk that additional regulatory intervention may impact the size of the market and lending prospects for the Group. In addition, the Group will also be subject to the possibility of the FCA exercising its product intervention rules, imposing penalties and imposing other sanctions if the FCA identifies non-compliance with CONC, MCOB or other FCA rules and principles for business (including the Consumer Duty). No assurance can be given that the Group will not incur liability in connection with any past non-compliance, or increased costs associated with complying with new regulatory developments, and any withdrawal of products, non-compliance and/or increased costs could be significant and adversely affect the Group's results of operations and financial position.

Further, the Group faces risks associated with an uncertain and changing legal and regulatory environment. Existing laws and regulations may be amended, or new laws and regulations may be introduced, which could affect the Group by:

- resulting in the need for increased operational and compliance resources, and increased costs in terms of both time and financial investment, to ensure compliance with the new or amended laws and regulations;

- restricting the customer base to which the Group's products or services can be offered, restricting the products or services which the Group can provide, or restricting the way intermediaries are rewarded; or
- requiring the Group to modify its capital structure in order to align it with changing regulatory requirements.

Any of these outcomes could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

One key area of focus for the PRA and the FCA is the provision of consumer credit by firms. The Group's compliance with the requirements applicable to the provision of consumer credit may be subject to greater scrutiny by either the PRA, the FCA, or both. For example, the FCA has highlighted the risk of potential harm to consumers from poor culture and practice when assessing affordability in consumer credit. The FCA is able to take an interventionist approach to the regulation of consumer credit and has an overall supervisory remit over financial institutions such as the Group. Along with other consumer credit providers, greater direct or indirect regulatory scrutiny of the Group's compliance with the relevant legal and regulatory requirements may result in additional costs to be dedicated to this aspect of the Group's operations.

Further, the FCA and PRA have, since 2023, been subject to a new requirement to advance a new "competitiveness and growth objective", of facilitating (subject to aligning with relevant international standards) "*(a) the international competitiveness of the economy of the United Kingdom (including in particular the financial services sector), and (b) its growth in the medium to long term*".³ It remains unclear how the regulators will interpret this new requirement, but there is a risk that this may entail further and potentially unexpected changes to the UK regulatory environment to which the Group may need to adapt quickly.

In addition, changes to the regulatory authorities' supervision of the Group may result in increased scrutiny of the Group's compliance with existing laws and regulation, which may further result in the Group needing to change its internal operations or undertake additional work to ensure compliance, at increased cost to the Group. This might occur, for example, if the FOS were to change its approach on a particular type of customer complaint which then had a wider impact on the Group's operations. High levels of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the press and politicians are likely to continue and the FCA may enforce the Consumer Duty (details of the application of which remains uncertain given its relatively recent introduction) in such a way as to require the Group to implement systems and processes which would demonstrate satisfactory compliance, at increased cost to the Group. There is a higher risk of this affecting the Group's regulated lending and deposit activities, for example, the Consumer franchise and the Group's Retail Mortgage proposition.

Parts of the Group's business, for example its Consumer Finance business, is subject to the requirements of the CCA and other consumer protection legislation and regulation, including (among others) the Consumer Rights Act 2015, that relate to the terms of consumer contracts, which often contain very detailed and highly technical requirements. While the Group considers that material non-compliance with the CCA and other consumer regulations is unlikely, there is a risk that the eventual outcome may differ. The UK Treasury consulted in the second quarter of 2025 on certain proposed changes to the CCA – the proposed changes would likely simplify the CCA regime and reduce the burden on lenders such as the Group, but such changes remain subject to further consultation.

³ Section 1EB of the Financial Services and Markets Act 2000, as amended by section 25 of the Financial Services and Markets Act 2023.

Following the United Kingdom's departure from the European Union, the UK Treasury and regulators have been implementing a process of repealing and replacing retained E.U. rules and legislation (as set out in the Edinburgh Reforms), including the deferred revocation of all retained E.U. financial services law under the Financial Services and Markets Act 2023. As part of this process, there has been substantial consideration of areas in which the UK's regulatory regime might diverge from the analogous European regime. Whilst at present the UK regulators have indicated a general intent to remain aligned with the previous rules (and with the position in the European Union) there have already been certain divergences, such as with respect to bank remuneration or the matching adjustments regime for insurers; the Group may be subject to further changes in regulation as a result of this divergence which could increase the management time and cost required to achieve compliance.

There remains a regulatory focus on the fairness of contract terms, sales practices and reward structures that financial institutions have used when selling financial products and the fair treatment of customers generally. The Consumer Duty has provided the FCA with a new tool for considering how firms approach consumer outcomes. Whilst the FCA has published substantial non-handbook guidance on its approach to the Consumer Duty and has publicly identified examples of good and bad practice for firms implementing the Consumer Duty, it remains unclear precisely how the FCA will use the Consumer Duty when supervising firms, or the way in which the Consumer Duty may be interpreted and/or applied by the FOS, meaning that the long-term impact of the Consumer Duty upon the Group remains uncertain. It is possible that the FCA's future application of the Consumer Duty will require the Group to invest additional management time and financial resources to achieve compliance.

Financial institutions (including the Group) may incur liability for past actions which are determined to have been inappropriate, for example, treatment of vulnerable customers, and any such liability incurred could be significant and have a material adverse effect on the Group's reputation, business, results of operations, financial condition and/or prospects. In addition to the above, failure to comply with applicable laws and regulations could result in the FCA and/or PRA cancelling or restricting the Group's regulatory authorisations altogether, thereby preventing it from carrying on its business.

Finally, there is continuing momentum behind Open Banking in the UK, with all nine of the original banking providers who were subject to the CMA's Retail Banking Market Investigation Order 2017 now having fully implemented the proposals in that Order, and the Data (Use and Access) Act 2025 having been given royal assent. These included requiring those banks to enable personal customers and small businesses to share their data securely with other banks and third parties, in order to make it easier for customers to switch banks. The implementation of Open Banking reflects an ongoing concern of multiple British governments to increase innovation and competition in the UK financial services sector. There can be no assurance that such or similar measures, regulatory requirements to take remedial action in this regard or other regulatory actions will not adversely affect the Group's business, results of operations, financial condition and/or prospects.

Failure to comply with the wide range of laws and regulations which apply to, or may apply at some point in the future to, the Group could have a number of adverse consequences for the Group, including the risk of:

- substantial monetary damages, fines or other penalties, the amounts of which are difficult to predict and may exceed the amount of any provisions set aside to cover such risks in addition to potential injunctive relief;
- regulatory investigations, reviews, proceedings and enforcement actions;
- being required to amend sales processes, product and service terms and disclosures, withdraw products or provide redress or compensation to affected customers;
- the Group either not being able to enforce contractual terms as intended or having contractual terms enforced against it in an adverse way;
- civil or private litigation (brought by individuals or groups of individuals/claimants) in the UK and other jurisdictions (which may arise out of regulatory investigations and enforcement actions);

- criminal enforcement proceedings; and/or
- regulatory restrictions on the Group's business,

any or all of which: (i) could result in the Group incurring significant costs; (ii) may require provisions to be recorded in the Group's financial statements; (iii) could negatively impact future revenues from affected products and services; and (iv) could have a negative impact on the Group's reputation and the confidence of customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy. Regulatory restrictions could also require additional capital and/or liquidity to be held. Any of these risks, should they materialise, could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

28. The Group's business is subject to substantial and changing prudential regulation.

The Group is subject to capital adequacy and liquidity requirements adopted by the PRA and implementing European or global standards. The prudential regime that applies to UK banks originally derived from E.U. legislation and is set out under:

- Regulation (EU) No 575/2013, as amended and as it now forms part of the domestic law of the UK pursuant to the EUWA, including as it has been amended by the laws of England and Wales (the "**UK CRR**");
- UK law and regulatory rules implementing Directive 2013/36/EU (as amended) (i.e., CRD IV) and Directive 2019/878/EU (i.e., CRD V);
- the PRA Rulebook and associated PRA guidance; and
- other relevant UK domestic law and regulation.

This framework implements standards set at an international level by the Basel Committee on Banking Supervision, including under the Basel III framework. As part of the UK's implementation of the Basel III standards, portions of the UK CRR were revoked, and the relevant requirements transcribed into the PRA Rulebook (and in some cases amended) effective as of 1 January 2022. The remaining Basel III standards (sometimes referred to as Basel 3.1) are currently intended to be implemented in a similar manner by 1 January 2027 (though the PRA is consulting on a further delay of the implementation of certain specific rules to 1 January 2028), in order to enable greater clarity to emerge regarding the similar process of implementation in the U.S., with certain transitional periods in respect of particular provisions within Basel 3.1 terminating on 1 January 2030. The near-final rules which will implement Basel 3.1 are set out in the PRA's policy statement PS9/24 – Implementation of the Basel 3.1 standards near-final part 2. The implementation of these changes, or other changes introduced to the prudential framework that applies to UK banks may, either individually or in aggregate, result in changes or enhancements to prudential requirements in relation to the capital, leverage, liquidity and funding ratios and requirements of the Group or of operating companies in the Group which are subject to the Basel regime.

In particular, the Group is continuing to assess the impact of the UK's implementation of the Basel 3.1 standards upon its medium-to-long-term resource allocation and capital composition in view of Basel 3.1's changes to the prudential treatment of lending to SMEs. These changes may impact how the Group complies with its future prudential requirements in unplanned ways. The Group will not, however, be directly affected by the adoption of a new "Strong and Simple Framework" which certain non-systemic banks may elect to opt into and which will offer a somewhat streamlined prudential regime, having decided not to opt in given the Group's total assets and business plan. Furthermore, certain of the prudential requirements that apply to the Group take into account, among other factors, macroeconomic indicators and may increase if such macroeconomic indicators change, for example, risk-weighted asset inflation and countercyclical capital buffers.

Consequently, the Group faces risks associated with an uncertain and rapidly evolving prudential regulatory environment, pursuant to which it is required, among other things, to maintain adequate capital resources and to satisfy specified capital ratios at all times. Effective management of the Group's capital is critical to its ability to operate its business and to pursue its strategy. The Directors set the internal target amount of capital for the Group by taking account of their own assessment of the risk profile of the business, market expectations and regulatory requirements. If regulatory requirements as to capital levels increase, driven by, for example, new regulatory measures or views that the PRA may have as to the amount of capital the Group should retain, the Group may be required to increase its capital resources. The Group may in the future be required to increase capital resources following regulatory review. The Group may also need to increase its capital resources in response to changing market conditions or expectations. If the Group is unable to increase its capital, it may no longer comply with regulatory requirements or satisfy market expectations related to its capital strength and, as a result, its business, results of operations, financial condition and/or prospects could suffer a material adverse effect.

Any change that limits the Group's ability to effectively manage its balance sheet and capital resources effectively (including, for example, reductions in profits and retained earnings as a result of credit losses, write-downs or otherwise, increases in risk-weighted assets, delays in the disposal of certain assets or the inability to raise capital or funding through wholesale markets as a result of adverse market conditions or otherwise) could affect the Group's liquidity and have a material adverse effect on its business, operations, financial condition and/or prospects. In addition, if the Group fails to meet its minimum regulatory capital requirements, this could result in regulatory or administrative actions or sanctions against it.

Any perceived or actual shortage of capital held by the Group could result in actions by regulatory authorities, including public censure and the imposition of sanctions. Any of these outcomes may also affect the Group's capacity to continue its business operations, generate a sufficient return on capital, pay variable remuneration to staff, pay future dividends, pay the coupon on its Additional Tier 1 capital instruments or its Tier 2 capital instruments, raise capital in the markets or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to any such shortage, the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings.

Additionally, UK banks are required to meet MREL at all times. There is no common level of MREL applicable to all or a category of institutions; it is an institution-specific requirement, linked to the preferred resolution strategy for a particular bank (which in the case of Shawbrook Bank is a "modified insolvency"). The Bank of England sets MREL annually for all UK banks and MREL must be set on both an individual bank and group consolidated basis. The Group's current MREL requirement is set at a level equivalent to its minimum regulatory capital requirements excluding buffers (i.e., the sum of its Pillar 1 + Pillar 2A capital requirements), although this may change, in particular in line with the evolution of the Group's preferred resolution strategy. Any change in strategy will depend upon a number of factors being assessed by the Bank of England, but there is current guidance that *"provision of fewer than around 40,000 to 80,000 transactional bank accounts [...] is generally likely to indicate that a modified insolvency would be appropriate"*.⁴ As at 30 June 2025, the Group had 903 transactional accounts.

⁴ Bank of England, *The Bank of England's approach to setting a minimum requirement for own funds and eligible liabilities (MREL)* (December 2021), paragraph 4.4(b), available at <https://www.bankofengland.co.uk/-/media/boe/files/paper/2021/mrel-statement-of-policy-december-2021-updating-2018.pdf>.

Material organic or inorganic Group growth may therefore accelerate the transition away from a modified insolvency preferred resolution strategy. Subject to the changes to be implemented to this regime and discussed in the following paragraph, at the point at which the Group determines that its total assets will exceed the thresholds mentioned above within the following three years, the Bank of England will consider whether a transition to a bail-in preferred resolution strategy is appropriate. Where it considers that this is the case, it will impose a transitional period of at least six years (generally following the three-year notice period) for the Group to reach its end-state MREL. This means that even if Shawbrook Bank were to become subject to bail-in, there is unlikely to be a sharp and unplanned increase in its capital requirements.

The MREL regime has recently been updated by the Bank of England, with a number of changes becoming effective from 1 January 2026. This includes the threshold upon which a transition to a bail-in strategy may (but need not) become appropriate being raised from “£15 billion - £25 billion in total assets” to “£25 billion - £40 billion” (the “40,000 to 80,000 transactional bank accounts” threshold will remain indicative for determining whether a sub-£25 billion firm will remain subject to a modified insolvency strategy).⁵ This may have the effect of delaying transition to a bail-in strategy (subject to no major organic or inorganic growth leading to the revised threshold being crossed) which would otherwise become likely given that the growth of the Group’s total assets may lead to a direct transition from modified insolvency to bail-in without any intermediate partial transfer phase to the Group’s preferred resolution strategy.

The Group’s MREL requirements in any given year depend on a number of factors, including changes to Shawbrook Bank’s balance sheet and any change in PRA or international policy that alters the ways risk-weighted assets or the exposure measure of the leverage ratio (should it become applicable) are assessed, although the Bank of England’s current policy for modified insolvency firms such as Shawbrook Bank is that they would not expect external MREL to be set in excess of minimum capital requirements. The preferred resolution strategy applicable to the Group in future periods, and therefore the quantum and timing of future MREL requirements for the Group, are unknown and their impact uncertain, albeit mitigated by the transitional regime referred to above. Compliance with MREL may delay, limit or restrict the execution of the Group’s strategy and may have a material adverse effect on the Group’s business, capital structure, financial condition, results of operations and/or prospects, and may increase compliance costs.

Although the Group is not currently subject to the Bank of England’s Resolvability Assessment Framework (“**RAF**”), if it were to be in the future it would need to establish, at additional cost to the Group, a comprehensive compliance programme to respond to the three primary areas of the RAF (being: (i) Assessment & Disclosure; (ii) Resolvability Capabilities; and (iii) Assurance & Risk Management), which would need to be developed in a proportionate and considered manner. In particular, the Group would need to leverage its existing risk and operational resilience capabilities to ensure effective compliance with the RAF. The Group would become subject to the RAF following the Bank of England notifying the Group that its preferred resolution strategy was bail-in or partial transfer, and would become subject to the most onerous aspects of the RAF (in particular the requirements to “carry out an adequate assessment of its preparations for resolution”, to engage with the Bank of England regarding that assessment, and to have the Bank of England’s comments on its resolvability published) at the point at which, on a consolidated basis, it held retail deposits equal to or greater than £50 billion.

⁵ Bank of England, *Amendments to the Bank of England’s approach to setting a minimum requirement for own funds and eligible liabilities (MREL)* (July 2025), available at <https://www.bankofengland.co.uk/paper/2025/sop/mrel-statement-of-policy-july-2025-updating-2021>.

29. The Group's business is subject to the UK resolution regime.

The UK's implementation of the BRRD (in particular through amendments to the Banking Act 2009) means that the Group is subject to a statutory special resolution regime ("SRR") under which substantial powers are conferred on the Bank of England (or, in certain circumstances, HM Treasury, in either case a resolution authority), in consultation with the PRA, the FCA and (where applicable) HM Treasury, as appropriate. These powers enable the relevant UK resolution authority to implement resolution measures with respect to a UK bank and certain of its affiliates such as Shawbrook Group in circumstances in which the resolution authority is satisfied that resolution conditions are met. Such conditions include that a relevant entity is failing or is likely to fail to satisfy the threshold conditions defined in section 55B of FSMA.

The SRR consists of five stabilisation options: (a) private sector transfer of all or part of the business or shares of the relevant entity; (b) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; (c) transfer to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool (as described below); and (e) temporary public ownership (nationalisation). The SRR also includes a requirement for the UK resolution authority to write-down and convert capital instruments if the conditions to resolution are met, which may be implemented independently of, or in combination with, the exercise of a resolution tool (other than the bail-in tool, which would be used instead of the capital instruments write-down and conversion power). Implementation of certain of these stabilisation options by a resolution authority, such as a private sector transfer, could result in the Shareholders losing title to their Shares.

Accordingly, if the Bank of England were to exercise its powers under the UK resolution regime in relation to the Group, then Shareholders may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses.

Certain ancillary powers exercisable during resolution or in other circumstances prescribed in the Banking Act include the power to modify contractual arrangements in certain circumstances, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant UK resolution authority to dis-apply or modify laws in the UK (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. The exercise of these ancillary powers by the Bank of England could, separately to the wider implications of resolution discussed in this Risk Factor, cause or exacerbate a loss of confidence in Shawbrook Bank, and reduce the value of Shareholders' investments.

Although the Banking Act provides specific conditions to the exercise of any resolution powers, supplemented by HM Treasury's July 2025 Code of Practice and guidance from the Bank of England, the UK resolution authority has substantial discretion in utilising their powers in relation to resolution. In particular, the Bank of England has noted that it may seek to place a firm into insolvency "*if the public interest test for use of resolution powers is not met and where the firm holds protected deposits or client assets*". The UK resolution authority is also not required to provide any advance notice to Shareholders of its decision to exercise any resolution power. Therefore, Shareholders may not be able to anticipate a potential exercise of any such resolution powers or placement of the Company into modified insolvency, nor the potential effect of any exercise of such powers on the Company, the Group and the Shares.

At present, the preferred resolution strategy for the Group is modified insolvency, as part of which Shawbrook Bank would enter into a corporate insolvency process which is modified as necessary to ensure that the objectives of the resolution regime, in particular safeguarding deposits protected by the FSCS and ensuring continuity of banking services, can be achieved despite the firm entering insolvency. Once such objectives were fully achieved, the procedure would revert to an ordinary insolvency process, in which Shareholders would be expected to rank at the bottom of the liquidation hierarchy.

The Group's preferred resolution strategy is assessed by the Bank of England on an ongoing basis; a transition away from a modified insolvency may occur:

- at the point at which the Group provides more than 40,000 to 80,000 transactional accounts, the Bank of England may consider that a “partial transfer” preferred resolution strategy would be more appropriate; under this strategy, the Group would be resolved through the Bank of England facilitating the transfer of part of the Group’s business to a private sector purchaser or to a bridge bank (on a temporary basis pending onwards sale to a private sector purchaser), with the remaining portion of the Group placed into insolvency as necessary. As at 30 June 2025, the Group had 903 transactional accounts; or
- if the Bank of England otherwise considers that a bail-in preferred resolution strategy would be appropriate. The Bank of England’s current general expectation is that *“above around £15 billion - £25 billion in total assets, a bail-in strategy is more likely to be appropriate”*, but it will consider a range of factors when determining this. From 1 January 2026, the thresholds will be amended such that for institutions with between £25 billion and £40 billion in total assets, the Bank of England will consider which of a transfer strategy or bail-in strategy is more likely to be appropriate, based on a number of factors. As at 30 June 2025, the Group had consolidated total assets of £20.3 billion. Under a bail-in resolution strategy, the Group would be resolved through the Bank of England imposing losses on shareholders and writing down (or converting into equity) the claims of certain unsecured shareholders.

A change to the Group’s preferred resolution strategy, particularly ahead of the Group’s currently-contemplated timeline for this change occurring, may require the Group to issue additional capital to meet its minimum requirement for own funds and eligible liabilities in a way which may materially adversely affect the Group’s business and which may entail less efficient capital composition. Additionally, and as referred to above, being subject to a bail-in preferred resolution strategy would mean that the Shares are at risk of being diluted through the conversion of other regulatory capital instruments to common equity.

30. The Group is subject to statutory levies which may increase in future periods.

In the UK, the FSCS was established under FSMA and is the UK’s statutory fund of last resort for customers of certain types of authorised financial services firms. The FSCS pays compensation to eligible customers if a relevant PRA- or FCA-authorised firm is unable, or likely to be unable, to pay claims against it (for instance, if an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the PRA or the FCA. The Bank Resolution (Recapitalisation) Act 2025 additionally empowers the Bank of England to require the FSCS to recapitalise certain financial institutions where doing so is necessary in order to achieve a private-sector sale or a transfer to a bridge bank.

There is a risk that the FSCS may place additional levies on all FSCS participants as a result of a shortfall arising out of claims, or to recover the costs of recapitalising a failing bank. Any such levies may be significant amounts that may, as a result, have a material effect on the Group’s profits. In common with other financial institutions which are subject to the FSCS, the Group also has a potential exposure to future levies resulting from the failure of other financial institutions and claims which arise against the FSCS as a result of such failure. There can be no assurance that there will not be any further claims against the FSCS and subsequent increased FSCS levies payable by the Group. Any such increases in the Group’s costs and liabilities related to the levy may have a material adverse effect on its results of operations.

In addition, since March 2024, the Group has been subject to the Bank of England Levy, which was introduced to replace the Cash Ratio Deposit scheme as a means of funding the costs of the Bank’s monetary policy and financial stability operations. The scope of application of the Bank of England Levy depends upon the size of a bank’s liabilities base and is broadly similar to the Cash Ratio Deposit scheme, save that sums paid under the Bank of England Levy give rise to a charge against profit. For the year ended 31 December 2024, the amount of the Bank of England Levy paid by the Group was £2.1 million. There can be no assurance that there will not be future increases in the Bank of England Levy payable by the Group. Any such increases in the Group’s costs and liabilities relating to the Bank of England Levy may have a material adverse effect on its results of operations.

31. The Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporation and other taxes.

The Group's activities are subject to a range of UK taxes at various rates. Future actions by the UK Government to increase tax rates or to impose additional taxes which are applicable to the Group could reduce the Group's profitability. For example, the combined UK tax rate (being the Corporation Tax rate plus the Bank Corporation Tax Surcharge rate) on the profits of banks increased from 27 per cent. to 28 per cent. on 1 April 2023 and was maintained at 28 per cent. for the tax years commencing on 1 April 2024 and 1 April 2025. Similarly, on 6 April 2025, the rate of secondary (i.e., employer's) class 1 national insurance contributions ("**NICs**") increased by 1.2 percentage points to 15 per cent. and the secondary threshold for NICs decreased from £9,100 to £5,000, significantly increasing the cost of employer NICs. Further, in August 2025, the Institute for Public Policy Research ("**IPPR**") proposed that the UK Government impose a new quantitative easing reserves levy on commercial banks. As at the date of this document, it remains unclear whether the UK Government will adopt the IPPR's recommendations in its Autumn 2025 Budget.

Revisions to tax legislation or to its interpretation, and the Group's ability to respond to such changes, might also affect the Group's business, results of operations, financial condition and/or prospects. In addition, actual or expected changes to tax legislation, including changes which specifically target the UK banking sector, may also result in changes in the market price of the Company's listed equity securities from time to time.

The Group takes certain tax decisions which are based on customary industry practice, independent tax advice, tax authority guidance and application of the Group's facts and circumstances to those present in certain case law; however, it is possible that the tax authorities will not agree with the positions taken by the Group. In addition, the Group is subject to periodic tax audits which could result in additional tax assessments (including interest and penalties) relating to the past. Any such assessments could be material and could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

32. Any failure to comply with financial crime regulations, including sanctions, tax evasion, anti-money laundering and anti-bribery regulations could have a material adverse effect on the Group.

The Group is subject to laws regarding financial crime, covering money laundering (including all predicate offences), the financing of terrorism, financial and economic sanctions, as well as laws that prohibit the Group and its employees and business partners (for example, brokers and other intermediaries, professional introducers, home improvement suppliers and retailers) from facilitating tax evasion, bribery and corruption (including making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business). Monitoring compliance with financial crime rules can put a significant financial burden on banks and other financial institutions and requires significant technical capabilities. For example, the Group has previously completed a remediation programme to improve its financial crime framework following feedback from the FCA. The key improvements were completed by January 2024 and included key areas such as anti-bribery and anti-corruption, customer due diligence, customer risk assessment, monitoring, oversight of third parties, and senior management sign-off of politically exposed persons and high-risk customers.

Although the Group relies on a regulatory change management process to identify and address changes in the regulatory environment, it cannot predict the nature, scope or effect of future regulatory requirements to which it might be subject or the manner in which existing laws might be administered or interpreted. Whilst the effective implementation and embedding of the Group's financial crime framework can lessen regulatory risk of penalties or enforcement, it cannot guarantee full prevention of financial crime, including actions committed by the Group's employees. If the framework is found to be ineffective, the Group might be held responsible, whether a financial crime act is committed or not. Any such event may have severe consequences, including litigation, sanctions, fines and reputational damage, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

PART II

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

1. Historical Financial Information

The Group's financial year runs from 1 January to 31 December in each year.

The Group's consolidated historical financial information for the Company's financial years ended 31 December 2022, 31 December 2023 and 31 December 2024 included in Section B of Part IX (*Historical Financial Information*) of this Registration Document has been prepared in accordance with the Prospectus Regulation Rules and IFRS ("**Historical Financial Information**"). Such Historical Financial Information is covered by the accountant's report included in Section A of Part IX (*Historical Financial Information*) of this Registration Document, which was prepared in accordance with the applicable Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom.

The basis of preparation and significant accounting policies for the Historical Financial Information are set out in Notes 1.4 and 2 of Section B of Part IX (*Historical Financial Information*). None of the Historical Financial Information has been audited in accordance with auditing standards generally accepted in the United States ("**U.S. GAAS**") or auditing standards of the Public Company Accounting Oversight Board ("**PCAOB**").

2. Interim financial information

The Group's condensed consolidated interim financial information for the six months ended 30 June 2024 and 30 June 2025 included in Section D of Part IX (*Historical Financial Information*) of this Registration Document has been prepared in accordance with the Prospectus Regulation Rules and IFRS. Such financial information has not been audited but is covered by the accountant's report set out in Section C of Part IX (*Historical Financial Information*).

The basis of preparation and significant accounting policies for the condensed consolidated interim financial information for the six months ended 30 June 2024 and 30 June 2025 are set out in Notes 2 and 5 of Section D of Part IX (*Historical Financial Information*).

3. Alternative Performance Measures

This Registration Document contains various Alternative Performance Measures, which are financial measures and ratios that are not presented in accordance with IFRS, U.S. GAAP or any other generally accepted accounting principles and which may not be comparable with similarly titled measures used by others in the Group's industry. The Group includes these Alternative Performance Measures in this Registration Document because the Directors believe that the Alternative Performance Measures provide supplemental measures of performance, profitability and liquidity, which the Group uses for evaluating its business performance and understanding certain significant items, which contribute to an understanding of the Group's trading performance. Furthermore, the Directors believe that these Alternative Performance Measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The Directors believe that the description of these Alternative Performance Measures in this Registration Document follows and complies with the ESMA Guidelines on Alternative Performance Measures dated 5 October 2015, and related ESMA Questions and Answers.

There are no generally accepted principles governing the calculation of Alternative Performance Measures and the criteria upon which these measures are based can vary from company to company. Alternative Performance Measures, by themselves, do not provide a sufficient basis to compare the Group's performance with that of other companies and should not be considered in isolation or as alternatives to revenue, profit before tax or cash flow from operating, investing and financing activities, as derived in accordance with IFRS or any other financial or performance measure derived in accordance with IFRS, and should not be considered as being indicative of operating performance or as a measure of the Group's profitability or liquidity. Alternative Performance Measures should be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS included elsewhere in this Registration Document. Alternative Performance Measures are not intended to be indicative of the Group's future results.

Such Alternative Performance Measures include the following key performance indicators:

- Adjusted return on tangible equity (on an underlying basis)
- Average principal employed
- Common Equity Tier 1 (CET1) capital ratio
- Cost of risk
- Cost-to-income ratio (on an underlying basis)
- Cost:APE ratio (on an underlying basis)
- Gross asset yield
- Leverage ratio
- Liability yield
- Liquidity coverage ratio
- Loan book
- Loan book (including structured asset sales)
- Net interest margin
- Profit before tax (on an underlying basis)
- Return on lending assets before tax (on an underlying basis)
- Return on tangible equity (on an underlying basis)
- Risk-weighted assets
- Tangible net asset value
- Total capital ratio
- Total Tier 1 capital ratio
- Wholesale funding

Save where indicated, these measures have been extracted from the Group's management reporting systems but have not been audited or reviewed by external auditors, consultants, independent experts or other third parties. These Alternative Performance Measures are defined in section 7 of Part VIII (*Operating and Financial Review*).

4. Rounding

Certain numerical data, financial information and market data in this Registration Document have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the text and tables in this Registration Document is shown in thousands or millions of pounds, commercially rounded to the nearest thousand or million, as applicable. Unless otherwise indicated, percentage changes and ratios in the text and tables of the Registration Document are calculated based on the underlying numbers as presented in the Registration Document, i.e., after rounding of such underlying numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in this Registration Document. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in this Registration Document due to rounding in accordance with commercial rounding. A dash (“—”) signifies that the relevant figure is not available or equal to zero, while a zero (“0”) or nil signifies that the relevant figure has been rounded to zero.

5. Market and industry data

Unless the source is otherwise stated, the market and industry data in this Registration Document constitute the Directors’ estimates, using underlying data from independent third parties. Such data includes market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys (including by the Bank of England, the British Business Bank, UK Finance and the Financing & Leasing Association). The Company confirms that all third-party data contained in this Registration Document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third-party information has been used in this Registration Document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified, and undertakes no obligation to independently verify, any of the data obtained from third-party sources (whether identified in this Registration Document by source or used as a basis for the Directors’ beliefs and estimates), or any of the assumptions underlying such data, and the Company makes no representation or warranty as to the completeness or accuracy of such information as set out in this Registration Document.

6. Exchange rate and currency information

Unless otherwise indicated, references in this Registration Document to “sterling”, “pounds sterling”, “GBP” or “£” are to the lawful currency of the United Kingdom.

Unless otherwise indicated, all monetary amounts in this Registration Document are expressed in pounds sterling which is the functional currency of the Company and all of its subsidiaries.

7. No incorporation of website information

Information contained on the Group’s websites and any other websites referred to in this Registration Document are not incorporated into and does not form part of this Registration Document.

8. Forward-looking statements

This Registration Document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believes", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in several places throughout this Registration Document and include statements regarding the intentions, beliefs or current expectations of the Directors or the Company concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies and dividend policy of the Group and the industries in which it operates. In particular, the statements under the headings "Risk Factors", "Business Overview" and "Operating and Financial Review" regarding the Company's strategy, targets and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Registration Document regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied, in such forward-looking statements. In addition, even if actual results in any given period are in any way consistent with a forward-looking statement contained in this Registration Document, those results may not be indicative of results in subsequent periods.

Such forward-looking statements contained in this Registration Document speak only as of the date of this Registration Document. The Company, the Directors and the Company's advisers, expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Registration Document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, the Market Abuse Regulation or the Disclosure Guidance and Transparency Rules of the FCA, as appropriate.

9. Defined terms

Capitalised terms have the meanings ascribed to them in Part XII (*Definitions*).

PART III

DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors

John Callender (*Non-Executive Chairman*)
 Marcelino Castrillo (*CEO*)
 Dylan Minto (*CFO*)
 Lan Tu (*Senior Independent Director*)
 Janet Connor (*Independent Non-Executive Director*)
 Derek Weir (*Independent Non-Executive Director*)
 Andrew Didham (*Independent Non-Executive Director*)
 Michele Turmore (*Independent Non-Executive Director*)
 Cédric Dubourdieu (*Institutional Non-Executive Director*)
 Lindsey McMurray (*Institutional Non-Executive Director*)

Company Secretary

Andrew Nicholson

Registered Office

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 Brentwood
 Essex CM13 3BE

Independent Auditor and Reporting Accountant

KPMG LLP
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 London E14 5GL

Legal advisers to the Company as to English law

Slaughter and May
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 London EC1Y 8YY

Legal advisers to the Company as to U.S. law

Cravath Swaine & Moore LLP
 100 Cheapside
 London EC2V 6DT

PART IV

BUSINESS OVERVIEW

1. Overview

The Group is a differentiated UK digital banking platform, combining scale and diversity across large and growing markets, sophisticated underwriting and credit excellence, next generation technology and data capabilities, an entrepreneurial culture and selective, value-accretive M&A to deliver high growth and high returns at scale.

The Group operates its lending business via two core customer franchises – Commercial and Retail. The Commercial franchise brings together the Group's SME and Real Estate propositions, which together provide loans to UK SMEs, experienced professional landlords and professional property investors to seize growth opportunities and finance key events. The Group's Retail franchise comprises its Retail Mortgage Brands proposition, offering a range of owner-occupied and buy-to-let mortgage products, and its Consumer Finance proposition, which provides unsecured personal loans and motor finance in the specialist mass market and luxury high-end vehicle segments. The Group's lending activities are funded by a stable and scalable funding base, principally comprising retail customer deposits, but also wholesale funding and the proceeds of securitisation transactions to generate additional liquidity when required.

The Group is led by an experienced, entrepreneurial and innovative management team, with a combination of expertise in specialist lending, financial markets, technology and data, risk management and institutional and regulatory banking. The Company's Executive Committee is responsible for developing and effectively implementing the Group's strategy and delivering on its purpose. The Group had an average of 1,585 employees⁶ in its financial year ended 31 December 2024, of which approximately 19 per cent. were dedicated to product, technology and data functions, demonstrating the Group's commitment to the continued development of its digital, technology and data capabilities.

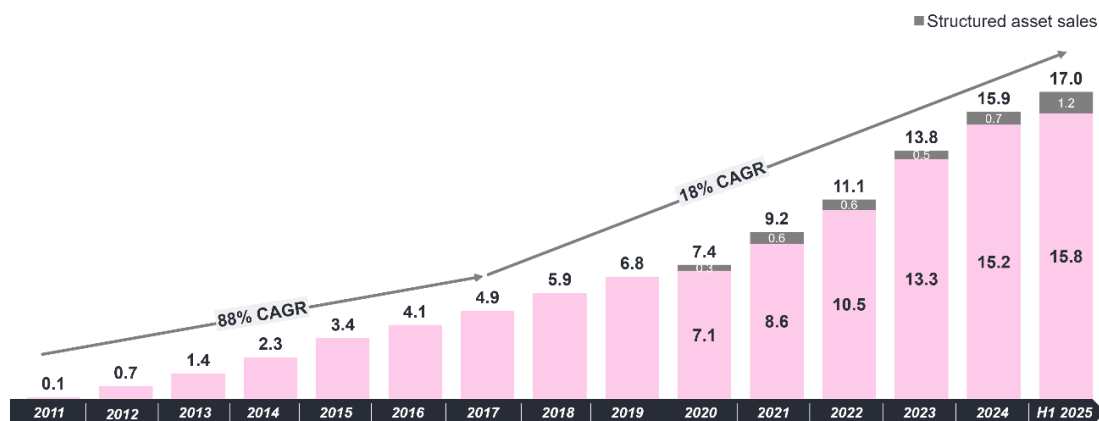
The principal activity of the Company is to act as the holding company of the Group. The principal operating subsidiary of the Group is Shawbrook Bank, a banking institution which is authorised by the PRA and regulated by the PRA and the FCA and is a member of the FSCS. The Group's other operating subsidiaries are specialist mortgage providers TML and BML, and JBR Capital, an independent finance lender dedicated to high-end luxury vehicle finance. TML, BML and JBR Capital are authorised and regulated by the FCA.

⁶ Average number of persons employed by the Group, calculated in accordance with the requirements of section 411 of the Companies Act 2006.

2. Investment highlights

2.1 A scalable platform with a consistent track-record of loan book growth

The Group has a demonstrated ability to grow at scale, having grown its loan book significantly and sustainably from £0.1 billion as at 31 December 2011 to £17.0 billion as at 30 June 2025.⁷ The Group has also continued to grow new loan originations across its Commercial and Retail franchises, with current implied annualised originations of approximately £5.8 billion.⁸



2.2 Diversified business mix

The Group's growth has historically been driven by the diversified nature of the Group's loan book. The Group offers a diversified range of lending products and services through its Commercial and Retail franchises, which operate across four lending segments (SME, Real Estate, Retail Mortgage Brands and Consumer Finance) and a total of 13 lending product verticals. As at 30 June 2025:

- the Commercial franchise represented £10.5 billion (Real Estate: £7.2 billion; SME: £3.3 billion), or 61 per cent. of the Group's total loan book; and
- the Retail franchise represented £6.6 billion (Retail Mortgage Brands: £5.6 billion; Consumer Finance: £1.0 billion), or 39 per cent. of the Group's total loan book.⁹

⁷ Loan book (including structured asset sales).

⁸ In the six months ended 30 June 2025, the Group's lending proposition originated £2.7 billion of new loans, representing a year-on-year growth rate of 16 per cent. when compared with the six months ended 30 June 2024. Applying this growth rate to new originations in the year ended 31 December 2024 of £5.0 billion implies a run-rate origination volume for the year ending 31 December 2025 of approximately £5.8 billion.

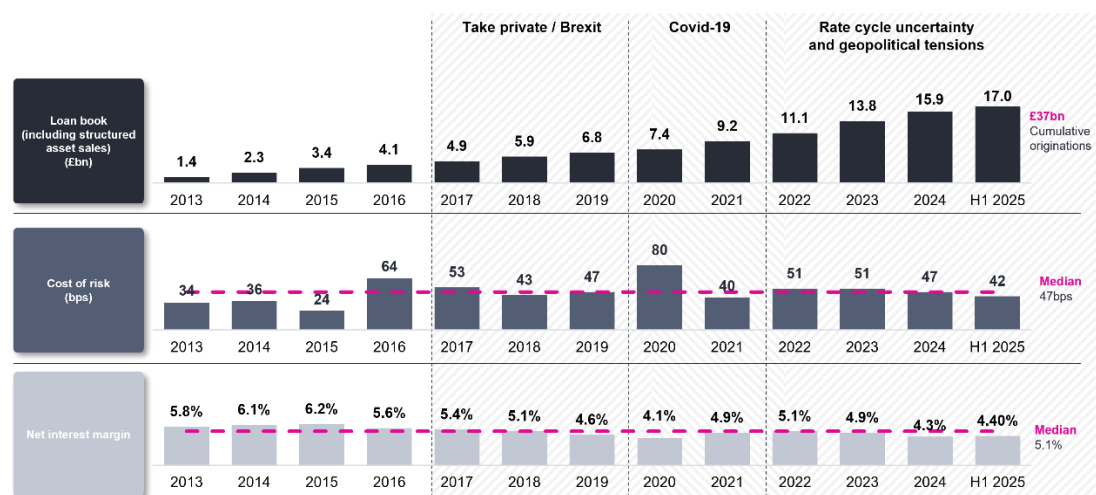
⁹ References to the contribution of the Commercial franchise and the Retail franchise to the Group's total loan book are, in each case, references to its loan book (including structured asset sales).

2.3 Proven track record of high risk-adjusted margins

The Group has demonstrated the ability to grow while managing and pricing risk appropriately. Coupled with its ability to access low-cost and stable deposit funding, this has allowed the Group to deliver attractive risk-adjusted returns while simultaneously entering new markets, achieving significant loan book growth and experiencing periods of macroeconomic uncertainty such as Brexit, the COVID-19 pandemic and rate cycle changes against the backdrop of geopolitical tensions.

From 31 December 2013 to 30 June 2025, for example, the Group's total loan book grew from £1.4 billion to £17.0 billion (including structured asset sales). Further, from 1 January 2013 to 30 June 2025, the Group achieved cumulative loan originations of £37 billion and maintained a median net interest margin of 5.1 per cent. while, during the same period, incurring net write-offs¹⁰ of just £243 million and maintaining a median cost of risk of 47 basis points. The Group's ability to manage and price risk appropriately while growing its business is underpinned by its mature, technology-enabled risk management framework which has evolved to respond to macroeconomic uncertainties and growth in the Group's business.

The chart below shows the evolution of the Group's loan book along with its cost of risk and net interest margin as at and for the Group's financial years ended 31 December 2013 to 31 December 2024 and for the six months ended 30 June 2025.



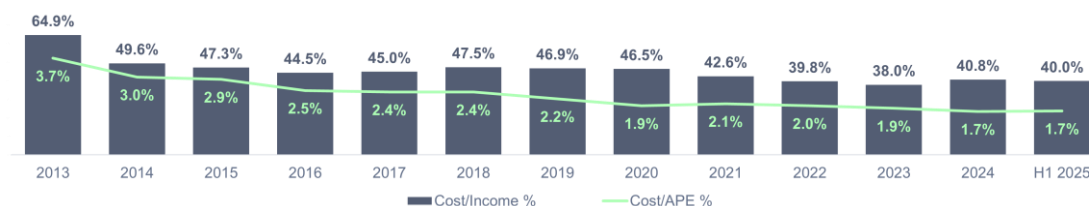
2.4 Operating leverage and technology-enabled efficiencies

The Group has invested over £260 million in its technology capabilities since 2017, including £135 million in its last three financial years.¹¹ This significant investment has transformed the Group into a digitally enabled bank which is able to drive growth at low incremental costs, delivering significant operating leverage. This is reflected in the longer-term trend in the Group's underlying cost:APE ratio, which has more than halved from 3.7 per cent. in the Group's financial year ended 31 December 2013 to 1.7 per cent. in the six months ended 30 June 2025, as well as the Group's declining underlying cost-to-income ratio, which was 40.0 per cent. in the six months ended 30 June 2025 (down from 64.9 per cent. in the financial year ended 31 December 2013).¹²

¹⁰ Net write-offs represent actual, realised losses (net of recoveries). Cost of risk includes estimated expected future losses.

¹¹ £260 million investment represents business as usual and strategic technology expenditure, as well as people costs attributable to the Group's Chief Technology Officer and Chief Product Officer cost centres (to the extent not included in strategic technology expenditure).

¹² Underlying cost to income ratio excludes the effect of provisions recognised by the Group.



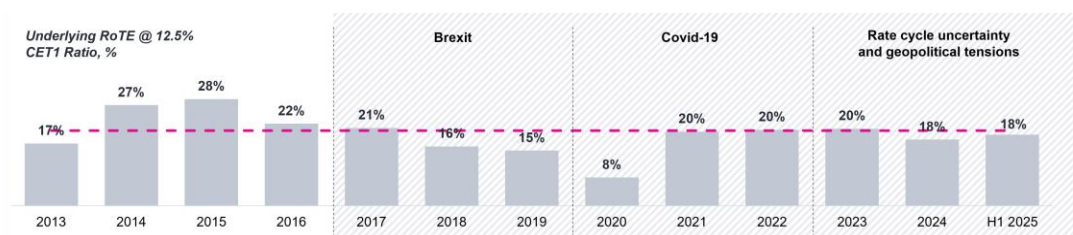
(1) Cost-to-income ratio is shown above on an underlying cost basis and does not reflect the effect of provisions recognised by the Group. The Group measures its performance with respect to its cost-to-income ratio, which is defined as an alternative performance measure in this document. Such alternative performance measure does reflect the effect of provisions recognised by the Group and therefore the cost-to-income ratio shown for 2022 and 2023 in the chart above differ from the cost-to-income ratio figures for FY 2022 and FY 2023 set out in section 7 of Part VIII (*Operating and Financial Review*).

In recent years, the Group has continued to see the rate of growth in its net operating income outpace growth in its administrative expenses, and the Directors believe that the Group's investments in its technology capabilities will continue to provide significant operating leverage going forward.

2.5 Proven delivery of returns

The Group has a proven track record of delivering strong underlying returns on tangible equity and growth in profit before tax. The Group delivered a 20 per cent. median adjusted return on tangible equity between 31 December 2013 and 30 June 2025 across different rate backdrops, challenging macroeconomic conditions and cyclical trends, while simultaneously delivering growth in its underlying profit before tax across the same period at a CAGR of 30 per cent.

The chart below shows the evolution of the Group's underlying return on tangible equity since 2013.



(1) Return on tangible equity computed on CET1 assuming target CET1 ratio of 12.5 per cent.

(2) Adjusted return on tangible equity is rounded to once decimal place.

2.6 Diversified and scalable funding platform

The Group's lending activities are funded by a stable and scalable funding base, principally comprising retail customer deposits. The Group's savings business is a trusted brand that deposit holders have continued to gravitate towards, and the Group had £16.7 billion of customer deposits as at 30 June 2025 (representing 92 per cent. of the Group's funding liabilities of £18.1 billion).¹³ The Group operates in attractive sub-segments of a large and growing UK deposit market where it commands a small estimated market share within its TAM of 3.4 per cent. (as at 31 December 2024), which provides significant headroom for further growth of the deposit base to support further loan book growth. The Group has successfully been able to access wholesale funding and the proceeds of securitisation transactions to generate additional liquidity and support funding diversity where accretive to do so.

¹³ Group funding liabilities as at 30 June 2025 include £16.7 billion of customer deposits, £0.4 billion in debt securities in issue and £1.0 billion in amounts due to banks.

2.7 Strong capital position

The Group has a strong regulatory capital position which provides flexibility for future growth: as at 30 June 2025, the Group maintained a CET1 ratio of 13.1 per cent., representing a regulatory capital surplus of approximately £363 million (or 3.4 per cent. of risk-weighted assets) in excess of its CET1 requirement, and a total capital ratio of 15.8 per cent., representing a total capital surplus of £222 million (or 2.1 per cent. of risk-weighted assets) in excess of its total capital requirement. The Group operates a low leverage business model, with a leverage ratio of 8.1 per cent. as at 30 June 2025, well in excess of the Group's minimum requirement of 3.25 per cent.

The Group expects its CET1 ratio to remain within its target range of between 12 per cent. and 13 per cent. (towards the lower end of that range) in the immediate term, following completion of its acquisition of ThinCats (please refer to sections 3.3 and 5.5 of this Part IV for further information on the ThinCats Acquisition). Should the Group proceed with an offer of new Shares to the public, the Group's CET1 ratio is expected to be in the middle of the target range on Admission as a result of receiving proceeds from the issuance of new Shares, assuming that any such primary offering is taken up in full.

2.8 Embedded growth provides visibility into, and supports, the achievement of the Group's loan book targets

The Group's medium-term¹⁴ target is to achieve loan book growth in the low double digits per annum, with an ambition to almost double the size of its total loan book (including structured asset sales) to approximately £30 billion by the end of the Group's financial year ended 31 December 2030 (the **"30 by 30 Target"**). The Directors believe that there is embedded loan book growth which is inherent in the Group's business – that is, organic growth which is deliverable without incremental acceleration in the Group's origination run rate and assumes no inorganic growth.

As at 30 June 2025, the Group had an implied annual loan origination run rate of £5.8 billion per annum.¹⁵ If this implied origination run rate remained constant until the end of 2030 (i.e., assuming no incremental growth in the Group's annual loan originations), the Group estimates that its loan book (including structured asset sales) would grow from £17.0 billion at 30 June 2025 to approximately £23 billion at 31 December 2030, comprising a back book of approximately £2 billion¹⁶ and a front book of approximately £21 billion.¹⁷

The Group estimates that new lending flows in its current total addressable market (**"TAM"**) will grow at a CAGR of approximately 4 per cent. in the medium term, which the Directors believe should support strong overall growth in originations and, in turn, fuel further growth in the Group's loan book. Applying this CAGR of 4 per cent. to the front book of approximately £21 billion which is estimated to be achieved by 31 December 2030 implies further growth in the loan book (including structured asset sales) of approximately £4 billion.

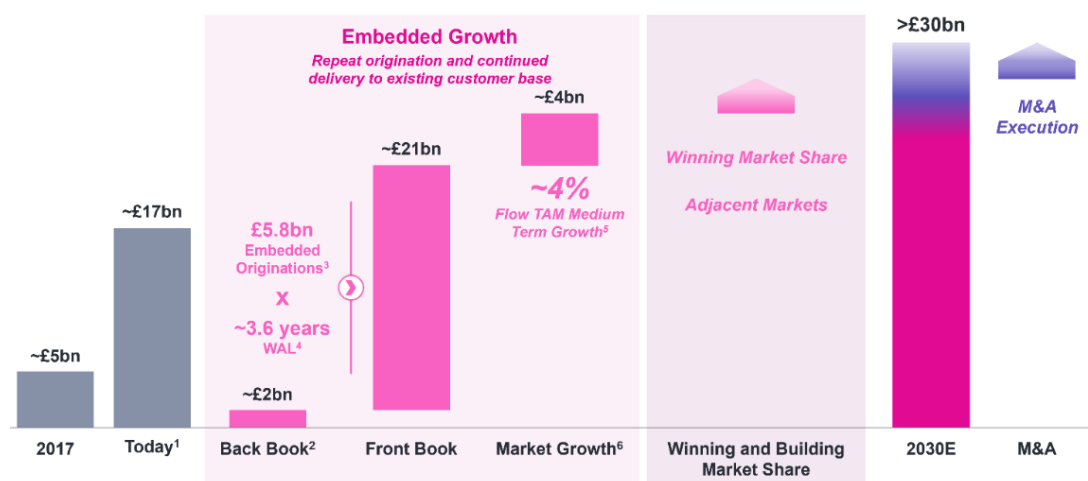
¹⁴ For this purpose, the Group models 'medium term' as a period of two to three years from 1 January 2025.

¹⁵ In the six months ended 30 June 2025, the Group's lending proposition originated £2.7 billion of new loans with a weighted average life (**"WAL"**) of 3.6 years, representing a year-on-year growth rate of 16 per cent. when compared with the six months ended 30 June 2024. Applying this growth rate to new originations in the year ended 31 December 2024 of £5.0 billion implies a run-rate origination volume for the year ending 31 December 2025 of approximately £5.8 billion.

¹⁶ Loans originated before 2025 which are expected to be outstanding as at 31 December 2030.

¹⁷ Assuming the WAL of the new loans originated in that period is 3.6 years.

The Directors believe that the combination of the above factors suggests that the Group could, through embedded growth, achieve a loan book (including structured asset sales) of up to approximately £27 billion by 2030, representing approximately 90 per cent. of the Group's 30 by 30 Target. Achieving the 30 by 30 Target would require the Group's loan book (including structured asset sales) to grow at a CAGR of approximately 11 per cent. from 30 June 2025 to 31 December 2030, compared to the loan book CAGR of 18 per cent. which the Group achieved from 31 December 2017 to 30 June 2025. The figure below illustrates the growth of the Group's loan book (including structured asset sales) to 31 December 2030 based on the above assumptions.



(1) Loan book (including structured asset sales) as at 30 June 2025.

(2) Loans originated before 2025 which are expected to be outstanding as at 31 December 2030.

(3) Calculated as outlined above.

(4) Weighted average life.

(5) The Group estimates that new lending flows in its current TAM will grow at a CAGR of approximately 4 per cent. in the medium term.

(6) Represents expected loan book expansion from increases in origination at estimated market growth rate.

2.9 Medium-term targets

In addition to its 30 by 30 Target, the Group's medium-term¹⁸ ambition is to achieve an adjusted return on tangible equity in the high teens¹⁹ and mid-to-high teens growth per annum in underlying profit before tax, in part through improving its underlying cost-to-income ratio to the mid-30s percentage range (from an expected high-30s percentage range in FY25, excluding the impact of one-off staff related costs). The Group aims to achieve this while maintaining a CET1 ratio of between 12 per cent. and 13 per cent., giving the Group flexibility to allocate capital to further investments into the business to drive organic and inorganic growth, as well as to pay a progressive dividend starting from FY 2026.

3. History

3.1 Inception

The Company was incorporated under the name Laidlaw Acquisitions Limited (registered in England and Wales with registered number 07240248) on 30 April 2010, as the vehicle for the acquisition of Whiteaway Laidlaw Bank from Manchester Building Society by funds managed by RBS Special Opportunities Funds. In 2013, the managers of RBS Special Opportunities Funds formed an independent fund business which is now called Pollen Street Capital.

¹⁸ For this purpose, the Group models 'medium term' as a period of two to three years from 1 January 2025.

¹⁹ Based on a target CET1 ratio of 12.5 per cent.

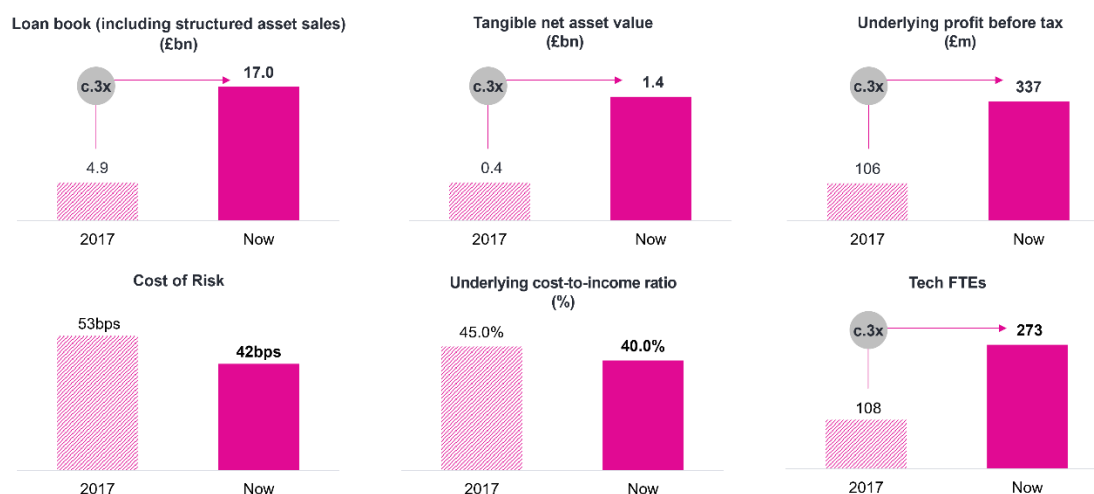
Following completion of the acquisition of Whiteaway Laidlaw Bank in January 2011 (which was later renamed Shawbrook Bank on 17 October 2011), the Company went on to expand its lending capabilities through its acquisitions of Link Loans, certain assets of Commercial First, Singers Asset Finance and Centric Commercial Finance. The Company was renamed Shawbrook Group Limited on 11 March 2015 and re-registered as a public company, and was renamed Shawbrook Group plc, on 24 March 2015.

3.2 IPO and subsequent return to private ownership

In April 2015, the Group completed a successful IPO with admission to the London Stock Exchange, raising £90 million of cash (£82 million net of costs) to support the Group's capital position and future growth. On 31 March 2017, Marlin, a company owned jointly by funds managed and/or advised by Pollen Street Capital Limited and funds advised by BC Partners LLP, announced an offer to acquire the entire issued and to be issued ordinary share capital of the Company not already directly or indirectly owned by Marlin or its concert parties (as subsequently revised on 5 June 2017, the "**Marlin Offer**"). The Marlin Offer, which valued the Group as it then was at £868 million, was declared unconditional in all respects on 7 July 2017 and, on 24 August 2017, the listing of the Company's ordinary shares on the London Stock Exchange was cancelled.

3.3 Strong performance under private equity ownership and subsequent key milestones

Since its return to private ownership in 2017, the Group has achieved scale whilst generously investing in its unique model. From the Group's financial year ended 31 December 2017 to the end of the Group's half year ended 30 June 2025, the Group approximately tripled the size of its loan book²⁰, tangible net asset value (TNAV) and underlying profit before tax²¹, while maintaining a broadly stable cost of risk and underlying cost-to-income ratio, and tripling the number of technology-dedicated employees on an FTE basis.



(1) All figures labelled 'now' shown as at 30 June 2025.

(2) Underlying profit before tax represents the Group's annualised underlying profit before tax for H1 2025.

²⁰ Loan book (including structured asset sales).

²¹ When calculated by annualising the Group's underlying profit before tax for the half year ended 30 June 2025.

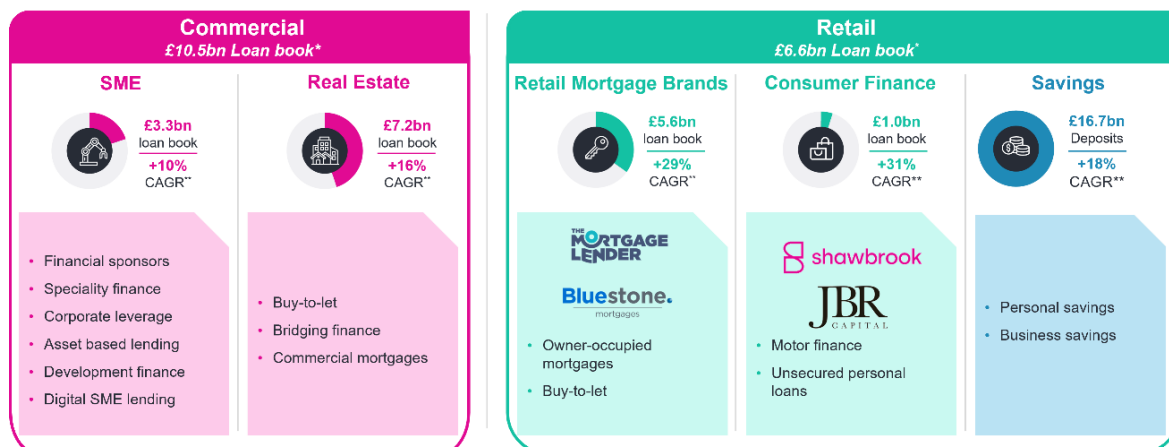
A summary of certain key milestones in the Group's development since returning to private ownership in 2017 is set out below:

- **Debut AT1 issuance:** In December 2017, the Company completed its debut issuance of £125 million of Additional Tier 1 (AT1) securities to optimise the Group's capital structure to support future growth.
- **TML acquisition:** In 2018, the Group expanded its buy-to-let mortgage offering by entering into a forward flow facility with, and acquiring 19.99 per cent. of the shares in, TML. On 26 February 2021, Shawbrook Bank completed the acquisition of the remaining 80.01 per cent. of the shares in TML, making TML a wholly-owned subsidiary of the Group. The Group expanded into the owner-occupied mortgages market through TML following its acquisition by the Group.
- **Maiden securitisation:** In June 2019, the Group successfully completed its first securitisation of mortgage loans originated by the Group. The securitisation, which involved the issuance of £250 million of sterling mortgage-backed notes, diversified the Group's sources of funding and offered flexibility to originate further loans to support its growth ambition. The Group has subsequently completed ten further securitisations to support its funding and capital strategies (details of securitisations completed by members of the Group which remain live as at the date of this document are set out in section 15 of Part XI (*Additional Information*)).
- **RateSetter acquisition:** In December 2020, the Group completed the acquisition of the development finance team, and assets comprising a £167 million facility limit portfolio of development finance loans, from RateSetter. The acquisition added over 100 active clients to the Group's existing business as well as increased operational and distribution capabilities.
- **New CEO appointed:** In June 2021, Marcelino Castrillo was appointed as the Group's new Chief Executive Officer. Marcelino brought a wealth of financial services experience, having previously served as Managing Director, Customer Engagement & Distribution at NatWest Group and in senior roles at RBS and Santander.
- **BML acquisition:** In May 2023, Shawbrook Bank completed the acquisition of 100 per cent. of the ordinary shares of BML, a specialist lender focused primarily on residential owner-occupied mortgages, having previously established a forward flow facility with BML in May 2017. The BML acquisition added distribution and underwriting capabilities in higher margin residential owner-occupied mortgages, with a focus on serving customers with more complex credit profiles.
- **JBR Acquisition:** In September 2024, the Group expanded its motor finance offering into the higher-yielding, lower-risk, high-end luxury segment of the motor finance market by completing its acquisition of the JBR Group, which operates its lending business via JBR Capital (the "**JBR Acquisition**"). During 2025, the Group successfully completed the operational integration of JBR Capital into its Retail franchise, establishing a scalable operations function that harnesses the expertise of the Group's people and technology and data capabilities.
- **New London HQ:** In November 2024, the Group completed the move to its new, upgraded London headquarters at 40 Leadenhall Street, providing a modern space for colleagues to collaborate and innovate. As part of its commitment to minimise the Group's environmental impact, where possible the Group reused existing equipment during fit-out, and the new office also boasts energy efficient features such as LED lighting and water source heat pumps, minimising energy consumption. The space is on track to achieve BREEAM Excellent and NABERS 5* certification.

- **ThinCats Acquisition:** On 30 September 2025, the Group completed its acquisition of the entire issued share capital of ThinCats Group Limited ("**ThinCats**"), a leading specialist lender with a strong track record in providing bespoke funding to established, growth-focused SMEs (the "**ThinCats Acquisition**"). The ThinCats Acquisition represents a strategic investment in accelerating the growth of the Group's existing presence in the specialist SME lending market, underlining the Group's commitment to supporting UK SMEs with tailored finance facilities and relationship-led service. For further information on the ThinCats Acquisition, please refer to section 5.5 of this Part IV. A summary of the key acquisition agreements in connection with the ThinCats Acquisition is set out in section 15.2 of Part XI (*Additional Information*).
- **Significant technology investment:** The Group has invested over £260 million in its technology capabilities since 2017, with £135 million of such investment having been made in its last three financial years alone. This significant investment has transformed the Group into a digitally enabled bank which is able to drive growth at low incremental costs.

4. Principal activities of the Group

The Group has deliberately built a diversified business model which serves attractive customer segments. Within this model, the Group operates its lending and savings activities through two core customer franchises: Commercial and Retail, which are underpinned by common specialist underwriting, risk management, data and technology.



* As at 30 June 2025 (including structured asset sales); ** CAGR from FY 2022 to 30 June 2025.

4.1 Commercial franchise

The Group's Commercial franchise brings together the Group's Real Estate and SME lending propositions, which aim to enable professional property investors and UK SMEs to seize growth opportunities and finance key events. The Group's Commercial franchise strives to be the trusted partner to SMEs and professional property investors across the UK, and the Directors believe that brokers choose the Group for its specialist underwriting expertise, excellent customer experiences, and its digital, technology, data and distribution capabilities.

As at 30 June 2025, the Group's Commercial franchise had a total loan book of approximately £10.5 billion, representing 61 per cent. of the Group's total loan book. The table below shows the evolution of the Group's Commercial loan book from 31 December 2022 to 30 June 2025:

Loan book, £bn	As at			As at
	2022	31 December 2023	2024	30 June 2025
Commercial franchise	7.6	8.9	9.9	10.5

As at 30 June 2025, the composition of the Group's Commercial loan book by operating proposition and product type was as follows:

Operating proposition and product type	Percentage of loan book by value
SME lending	31
Total SME	31
Buy-to-let	45
Commercial investment.....	19
Bridging finance	5
Total Real Estate	69
Total Commercial franchise	100

4.1.1 Real Estate

The Group's Real Estate proposition, which as at 30 June 2025 had a customer base of approximately 20,000 customers, supports the professional property sector with a diverse range of buy-to-let, commercial and bridging loan products offered predominantly to experienced professional landlords and property investors. The Group's strong and long-standing relationships with a broad range of intermediaries, alongside its experienced specialist underwriting teams, enable it to originate a wide range of loan sizes and asset types. This allows the Group to support customers at all stages of their property investment lifecycle, driving long-term relationships and repeat business.

The Real Estate business leverages its proprietary digital Broker and Lending Hub platforms, which blend intuitive application flows, automated and assisted credit decisioning tools, third-party API integrations, self-service capabilities and personalised broker support where required to provide fast and consistent initial lending decisions and a streamlined underwriting process. This enables the Group to deliver a premium borrower and broker experience while unlocking colleague capacity to drive further growth. For example, in H1 2025, the Group observed a 46 per cent. reduction in the time required between the agreement in principle and formal offer stages in the Real Estate proposition's buy-to-let business.²² The Directors believe that the speed and certainty its digital platforms deliver for brokers and borrowers gives the Group's Real Estate business a competitive advantage and the ability to offer its products at a premium when compared to its key competitors. The Group's Broker Hub platform has also generated significant efficiencies for the Group, having increased Real Estate colleague capacity by up to 24 per cent.²³

The table below shows the Group's Real Estate loan book as at 31 December 2022, 2023 and 2024, and as at 30 June 2025:

		As at 31 December		As at 30 June
	2022	2023	2024	2025
(£bn)				
Real Estate loan book	5.0	6.1	6.8	7.2

The Real Estate loan book has grown significantly from the end of FY 2022 to the end of H1 2025, achieving a CAGR of 16 per cent. In FY 2024, the Real Estate proposition delivered profit before tax of £134.2 million and a gross asset yield of 6.2 per cent. and achieved year-on-year loan book growth of 11 per cent. at a cost of risk of 12 basis points. The Real Estate's loan book benefits from geographical diversification, with over 60 per cent. of the book by value relating to loans secured against properties situated outside of Greater London.

²² As at July 2025, based on average days from agreement in principle to formal mortgage offer, comparing digital buy-to-let cases with flow buy-to-let cases processed via the Group's Lending Hub platform.

²³ When comparing 2021 to 2024 (being the period following the introduction of the Broker Hub) to 2018 to 2020.

In 2024, the Group launched its Structured Real Estate proposition, offering professional landlords a more tailored structuring and relationship-led service for complex real estate-backed lending transactions ranging from £5 million up to £35 million. Each transaction is managed by a dedicated Relationship Manager who is supported by Assistant Relationship Managers and Credit Analysts to deliver a concierge-style service to customers. The Group's team-based approach ensures a deep understanding of client objectives, asset profiles and risk considerations. The Directors believe that a sharp focus on brokers' most valuable opportunities deepens the Group's integration in their relationships and showcases a level of sophistication that sets the Group apart. They further believe that the Group's structured lending expertise across its Structured Real Estate and SME teams has accelerated entry into this market segment and enabled participation in more complex lending transactions that were previously out of reach. For the six months ended 30 June 2025, the Group's Structured Real Estate proposition had a loan book with a weighted average loan-to-value ratio of approximately 63 per cent.

The Group's Real Estate proposition offers the following products to its customers:

- **Buy-to-let:** The Group offers buy-to-let mortgages to professional property investors and experienced landlords whose core business is property, often already operating at scale with high-value portfolios and/or with an ambition to grow. These customers are typically full-time landlords with significant portfolios, often requiring bespoke structuring, larger loan sizes, and a lending partner who understands their complex needs. The Group's products are primarily distributed through specialist brokers, leveraging the Group's expertise to meet the more complex needs and expectations of the professional borrowers it serves.

The Real Estate proposition is able to offer its buy-to-let products at a premium by tailoring its approach to origination to the complexity of the borrower's needs. In simpler cases, the Group is able to leverage its proprietary digital platforms to provide a slick, technology-enabled and data-driven application process. In larger, more complex transactions, the Real Estate business is able to leverage the expertise of its Structured Real Estate team to offer tailored structuring solutions. The Directors believe that the speed and certainty that the Group's proprietary platforms offer in simpler cases, and the deep expertise and tailored structuring solutions offered by the Structured Real Estate Team, allows the Real Estate proposition to offer its buy-to-let products at a premium.

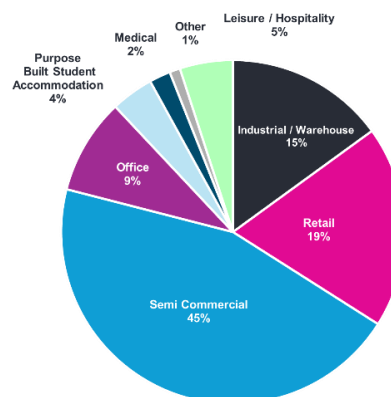
The Real Estate proposition's buy-to-let business achieved strong loan book growth from the Group's financial year ended 31 December 2022 to 30 June 2025, growing at a CAGR of 20 per cent. whilst reducing its cost of risk across that period.

The Group also offers buy-to-let mortgages via its Retail Mortgage Brands proposition (please refer to section 4.2 of this Part IV).

- **Bridging finance:** The Group offers short-term mortgages to professional property investors and landlords looking to acquire a residential, commercial or semi-commercial property to increase its value or rental yield through refurbishment and/or conversion. Examples of the Group's customers include landlords seeking to buy properties and increase their market value or rental yield before refinancing to a term loan, property developers seeking to improve planning permissions or to exit completed projects and property traders seeking to acquire, refurbish and/or convert property for onward sale. The Group's customers often retain completed properties for rental and the Group is able to offer incremental value to them by offering to refinance their short-term mortgages to a longer-term mortgage once works are complete, avoiding the need to find a second lending partner.

- **Commercial mortgages:** The Group offers commercial mortgages to both professional property investors and owner-occupiers to help them grow their portfolios of semi-commercial and commercial properties in the mainstream market with an average property value of approximately £0.8 million. The Group's customers include experienced investors in commercial property, developers retaining larger schemes for rental and buy-to-let landlords seeking to diversify their portfolios. The Group also offers trading mortgages for small businesses to purchase or refinance premises that they trade from.

The Real Estate proposition's commercial mortgage loan book, which was approximately £2.0 billion as at 30 June 2025, is secured against a diversified portfolio of property assets, with 86 per cent. located outside of Greater London.²⁴ The chart which follows depicts the diverse range of property types against which the Real Estate proposition's commercial mortgages were secured as at 30 June 2025.²⁵



The Group continuously assesses its Real Estate product offering and strives to introduce new products, evolve its existing products, and/or enhance the Group's proprietary lending platforms and service, where it identifies opportunities to better meet the needs of its customers and distribution partners. In the years ended 31 December 2022, 31 December 2023 and 31 December 2024, the Group invested in further digitalising its Real Estate offering, including by: (i) upgrading the Group's Broker Hub; (ii) developing and, in 2023, launching the Group's Lending Hub origination platform, which digitalises the underwriting process and has reduced time to formal offer by up to 46 per cent.;²⁶ (iii) extending the Group's Lending Hub, to provide automated underwriting decisions to additional product types; and (iv) becoming the first UK bank to complete a remortgage transaction for a limited company using the digital conveyancing platform, PEXA.

In addition, in 2024, the Group also invested in a new bespoke loan servicing system developed by Thought Machine. The new system, which should allow the Group to more effectively service its loan books in-house, initially went live in the Real Estate proposition's buy-to-let business in May 2025 and the Group is exploring further rollouts across certain of its other lending propositions.

4.1.2 SME

The Group's SME proposition supports both fast-growth and established businesses with a broad and evolving range of finance solutions designed for a range of needs. The Group operates across a diverse range of large, established and growing SME markets that it knows well, currently offering strong business flows and attractive growth potential. The Directors believe that the specialist markets served by its SME business are often underserved due to their bespoke structuring requirements and relationship-led nature, creating an opportunity for the Group to deploy its broad range of customer-focused and flexible solutions.

²⁴ 86 per cent. of the Group's commercial mortgage loan book by volume is secured on assets located outside of Greater London based on account-level primary security.

²⁵ All percentages are of the commercial loan book by volume as at 30 June 2025.

²⁶ As at July 2025, based on average days from agreement in principle to formal mortgage offer, comparing digital buy-to-let cases with flow buy-to-let cases processed via the Group's Lending Hub platform.

The Group believes it is well positioned to win in the SME lending segment. The Group's SME business leverages deep and extensive experience in SME lending to support customers at each stage of their lifecycle. The Group also benefits from strong distribution capabilities, having established longstanding and trusted relationships across a broad network of specialist advisers, introducers and brokers, as well as specialist underwriting expertise and integrated risk management tools.

The table below shows the Group's SME loan book as at 31 December 2022, 2023 and 2024, and as at 30 June 2025:

		As at 31 December		As at 30 June
	2022	2023	2024	2025
(£bn)				
SME loan book.....	2.6	2.7	3.1	3.3

The SME loan book has grown significantly from the end of FY 2022 to the end of H1 2025, achieving a CAGR of 10 per cent. In FY 2024, the SME proposition delivered profit before tax of approximately £134 million and a gross asset yield of 11.5 per cent. and achieved year-on-year loan book growth of 14 per cent. at a cost of risk of 88 basis points.

The Group continuously assesses its SME product offering and strives to introduce new products, or evolve its existing products, where it identifies opportunities to better meet the needs of its existing customers and to attract new customers. For example, in 2023, the Group launched a new Digital SME term loan product and a new recurring revenue product. It also continued to expand its portfolio and distribution of development finance products in 2024, including repositioning its development finance exit loan product to better support developers across their funding cycles.

Similarly, the Group has a strong track record of investing in the development of its SME platforms. In the Group's financial years ended 31 December 2022, 31 December 2023 and 31 December 2024, such investments were targeted at enhancing auto-assisted decisioning capabilities in the Group's Digital SME lending proposition and adopting a new credit management platform across its SME offering to enhance its underwriting and risk management processes. The Group expects to continue to invest in its new credit decisioning and management platforms across its SME offering in the medium term.

The Group delivers its SME offering to UK SMEs through its Structured Lending and Digital SME Lending propositions.

4.1.3 Structured Lending

The Structured Lending proposition comprises the Group's complex SME offerings, which are characterised by their emphasis on structuring expertise and relationship-led delivery. The proposition is split into the following categories: speciality finance, development finance, corporate leverage, financial sponsors and asset-based lending.

(A) Speciality finance

The Group offers the following products:

- **Wholesale revolving credit facilities and block discounting:** providing committed and uncommitted lending to UK non-bank specialist lenders. Block discounting provides lenders with a discounted advance against the pre-agreed value of a pool of existing finance contracts. Wholesale revolving credit facilities provide funding secured against a lender's portfolios of receivables.
- **Fund finance:** offering net asset value and investor call bridge lending, focused on specialist debt and equity funds.

Such products are distributed principally through direct channels to prospective borrowers, as well as through a network of introducers (being primarily corporate debt advisers).

(B) Development finance

The Group provides funding solutions to experienced property developers for the building or refurbishment of residential, semi-commercial and commercial property assets for sale or to hold. Funding is designed to support developers throughout their business lifecycle, from the planning stage, through to construction and onto exit and commencement of the developer's next development scheme. Products offered include planning assistance loans, development finance loans and development exit loans. Facilities are secured against the value of the underlying land and/or buildings.

The Group's development finance products are distributed principally through a network of brokers, as well as directly to prospective borrowers.

(C) Corporate leverage

The Group's corporate leverage business supports SMEs with their predominantly event-driven funding needs. As well as serving a wide range of sectors, there is also a specific healthcare sector-focused proposition, which reflects the sector-specific nature of that lending market:

- **Commercial loans:** offering senior debt term loans and revolving credit facilities, targeting typically owner-managed SMEs to support significant events, such as changes of ownership, M&A and investment for growth. Facilities are typically provided based on a multiple of a borrower's EBITDA and are offered with a combination of amortising and bullet repayment terms.
- **Healthcare finance:** offering a range of funding options to both public and regulated private healthcare providers. The Group supports a variety of specialisms across the sector, including care homes, pharmacies and specialist care providers, predominantly through term loan solutions with similar features to those offered under the Group's other commercial loans as outlined above.

Such products are distributed principally through a network of introducers (being primarily corporate debt advisers), as well as directly to prospective borrowers.

(D) Financial sponsors

The Group offers the following products to financial sponsors and sponsor-backed UK businesses to facilitate key events including changes of ownership, M&A and investment for growth:

- **Unitranche:** event-driven finance, in the form of all-bullet repayment unitranche loans supplemented by revolving credit facilities, CAPEX facilities and acquisition facilities, to fund private equity investment in established UK SMEs.
- **Annual recurring revenue finance:** supporting sponsor-backed SMEs with reliable, contracted revenue streams with funding which leverages such contracted revenues and features part-amortising and part-bullet structures.

Such products are distributed through a network of introducers (being primarily corporate debt advisers) and directly to financial sponsors.

(E) Asset-based lending (ABL)

The Group offers ABL financing which leverages hard and paper assets to provide funding to SMEs, supporting several business needs including working capital, strategic investment and acquisition. Facilities utilise assets including debtor books, stock, plant and machinery and property to release capital. The Group's ABL products are distributed principally through a network of introducers (being primarily corporate debt advisers), as well as directly to prospective borrowers.

4.1.4 Digital SME Lending

The Group provides technology-enabled loan products to businesses requiring funding for a range of business purposes, and to professionals such as solicitors, accountants, and medical professionals to fund their liabilities. The Group uses digital technology to deliver automated and fast decisions in a market where speed is essential. Distribution of the Group's Digital SME products is principally through a network of specialist brokers.

4.2 Retail franchise

The Group's Retail franchise offers a range of lending products, including owner-occupied and buy-to-let mortgages through its Retail Mortgage Brands business unit and motor finance and unsecured personal loans through its Consumer Finance business unit. The Group's Savings proposition also sits within the Retail franchise, offering a diverse range of digitally-led savings products.

As at 30 June 2025, the Group's Retail franchise had a total loan book of £6.6 billion, representing 39 per cent. of the Group's total loan book (in each case including structured asset sales). The table below shows the evolution of the Group's Retail loan book (including structured asset sales) from 31 December 2022 to 30 June 2025:

Loan book (including structured asset sales), £bn	As at 31 December			As at 30 June
	2022	2023	2024	2025
Retail franchise	3.5	4.9	6.0	6.6

As at 30 June 2025, the composition of the Group's Retail loan book by operating proposition and product type was as follows:

Operating proposition and product type	Percentage of loan book by value
Motor finance	9
Unsecured personal loans.....	4
Partner finance ⁽¹⁾	2
Total Consumer Finance	15
TML buy-to-let.....	41
TML owner-occupied.....	20
BML owner-occupied	24
Total Retail Mortgage Brands.....	85
Total Retail franchise.....	100

(1) As described in further detail in section 4.3 of this Part IV, the Group withdrew from the partner finance market in April 2024.

4.2.1 Retail Mortgage Brands

The Group's Retail Mortgage Brands business comprises its subsidiaries TML and BML. TML provides buy-to-let and owner-occupied mortgages to individuals and property professionals across the UK, while BML offers owner-occupied mortgages only. The Directors believe that the Group's dual-brand retail mortgage offering complements its Shawbrook-branded Real Estate business and enables it to serve the needs of a wide spectrum of customers, including those with non-traditional complex income and credit profiles such as the self-employed and entrepreneurs. The Group's retail mortgage products are distributed through a wide network of FCA-authorised mortgage intermediaries, including specialist brokers within the Group's target markets. In 2024, the Group further expanded its distribution network by joining a panel of mortgage networks, providing the Group with access to approximately 2,000 additional intermediaries.

The table below shows the Group's Retail Mortgage Brands loan book as at 31 December 2022, 2023 and 2024, and as at 30 June 2025, showing totals including and excluding loans derecognised pursuant to structured asset sales:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
(£bn)				
Retail Mortgage Brands loan book (including structured asset sales)	3.0	4.3	5.2	5.6
Retail Mortgage Brands loan book (excluding structured asset sales)	2.4	3.9	4.4	4.4

The Retail Mortgage Brands loan book (including structured asset sales) has grown significantly from the end of FY 2022 to the end of H1 2025, achieving a CAGR of 29 per cent. In FY 2024, the Retail Mortgage Brands proposition delivered profit before tax of £59.9 million and a gross asset yield of 6.3 per cent. and achieved year-on-year loan book growth of 19 per cent. at a cost of risk of 13 basis points.

The Group's Retail Mortgage Brands proposition leverages a data-led dynamic pricing model and advanced analytics to anticipate optimal price points under varying market conditions, driving profit optimisation and strategic agility. The Group's digital platforms offer the Retail Mortgage Brands propositions' brokers integrated journeys which enable the Group to swiftly respond to their needs. Underwriters across the Retail Mortgage Brands business have access to TML's and BML's respective specialist underwriting platforms, which deploy automated valuation and income models, powered by internal and external data, to streamline the underwriting process. TML is also able to proactively engage with its brokers by deploying its smart customer relationship management (CRM) system, which offers automated broker communications, full visibility over broker interactions and integration with L&G Ignite, which enables TML to easily identify and contact brokers who are seeking help with customer needs (e.g., customers with complex income portfolios) which TML aims to address

The Group leverages loans originated by TML and BML to drive its originate-to-distribute (OTD) strategy, whereby it originates loans with the intention of securitising them to the wholesale markets in a form which achieves a full derecognition of the assets and their associated risks and rewards when market conditions are favourable. Where distribution of originated loans is not immediately attractive, the loans can be retained on balance sheet, or securitised and retained on balance sheet to support ongoing funding and liquidity needs, providing flexibility while underpinning a disciplined approach to funding diversification and capital efficiency. With a strong track record as a repeat issuer in the wholesale debt markets, the Group has successfully completed 11 securitisations to date.²⁷ The most recent, a £0.6 billion securitisation of loans originated by TML completed in May 2025, delivered a £23 million gain on sale, contributing positively to the Group's profitability. BML and TML have continued to evolve their product offering in the three years ended 31 December 2024. For example, in December 2023, TML launched a new 90% LTV purchase-only mortgage product. In February 2024, TML launched a new shared ownership product, a large interest-only product and new automated product transfer solutions, including product transfer LTV variants, for its owner-occupied and buy-to-let mortgages.

²⁷ Excludes one securitisation completed by BML prior to its acquisition by the Group.

(A) Owner-occupied mortgages

TML and BML provide owner-occupied mortgages to support customers looking to purchase their first property, move home or remortgage. TML's owner-occupied mortgage proposition focuses on serving customers with more complex income profiles, including self-employed individuals, entrepreneurs and others with variable employed income. In 2024, TML diversified its product offering by launching new shared ownership and owner-occupied interest-only products. BML's owner-occupied mortgage proposition focuses on serving customers with more complex credit profiles who require a more flexible approach to recent credit events.

TML's distribution model is focused more on leveraging a broad range of intermediaries who are either specialist or general mortgage advisers, whereas BML's distribution model is focused on a narrower set of intermediaries who specialise in its target market.

The weighted average loan-to-value ratio of BML's and TML's combined mortgage book was 64 per cent. as at 31 December 2024 (31 December 2023: 65 per cent.; 31 December 2022: 65 per cent.), and at that date only 4 per cent. of those mortgages had a loan-to-value ratio of greater than 85 per cent. The BML and TML mortgages with a loan-to-value ratio above 85 per cent. had a weighted average loan-to-value ratio of 88 per cent. as at 31 December 2024.

(B) Buy-to-let mortgages

TML provides buy-to-let mortgages that support professional landlords who typically have less complex property portfolios when compared to those supported by the Group's Real Estate proposition, and who often borrow through limited company structures. TML's proposition is designed for landlords who may be earlier in their investment journey but who demonstrate a professional mindset and long-term strategy. Such customers need a lender, such as TML, which has specialist lending capabilities and is capable of efficiently delivering mortgage solutions in more complex cases (such as lending to limited companies which own the underlying property assets).

TML serves its customers with competitively priced, standardised products at scale, distributed through broker networks, mortgage clubs and other selected specialist distributors. TML's buy-to-let mortgage customers often own property in either personal or multiple occupation/multi-unit blocks, as well as holiday lets. The weighted average loan-to-value ratio of TML's buy-to-let mortgage book was 68 per cent. as at 31 December 2024 (31 December 2023: 66 per cent.; 31 December 2022: 63 per cent.), and only 1.2 per cent. of TML's buy-to-let mortgages had a loan-to-value ratio of greater than 85 per cent. as at 31 December 2024. Approximately 61 per cent. of TML's mortgage book had a debt service coverage ratio of greater than 1.5x as at 31 December 2024.

4.2.2 Consumer Finance

The Group's Consumer Finance proposition provides specialist motor finance products for high-end luxury vehicles, predominantly supporting entrepreneurs and high-net-worth individuals, as well as digital unsecured personal loans to support UK consumers and micro businesses.

The table below shows the Group's Consumer Finance loan book as at 31 December 2022, 2023 and 2024, and as at 30 June 2025:

	As at 31 December			As at 30 June
	2022	2023	2024	2025
(£bn)				
Consumer Finance loan book.....	0.5	0.6	0.9	1.0

The Consumer Finance loan book has grown significantly from the end of FY 2022 to the end of H1 2025, achieving a CAGR of 31 per cent. In FY 2024, the Consumer Finance proposition delivered profit before tax of £1.6 million and a gross asset yield of 10.2 per cent. and achieved year-on-year loan book growth of 46 per cent. at a cost of risk of 4.09 per cent. (reflecting a reduction when compared to FY 2023 of 94 basis points).

Further information on the sectors that the Group's Consumer Finance business operates in is set out below.

(A) Motor finance

Overview

The Group provides financing to a range of customers to facilitate their acquisition of motor vehicles in both the specialist mass market and high-end luxury segments. In the specialist mass market segment, the Group funds hire purchase agreements, mostly in relation to used cars, pursuant to a committed forward flow facility entered into with BMFL in September 2023. Pursuant to this agreement, hire purchase agreements are originated by BMFL and the economic benefit of such agreements is then purchased by the Group. BMFL targets the lower value end of the used car finance market and leverages a broker-led origination strategy which gives BMFL and, indirectly, the Group, access to a wider and more diverse customer base when compared with direct distribution channels. BMFL leverages AI and machine learning-driven credit scoring and Open Banking to deliver fast, detailed risk-based pricing; its approval and payout processes are highly automated, which is critical for broker-driven lending in its target market.

The Group operates in the high-end luxury segment of the motor finance market via JBR Capital, which was acquired pursuant to the Group's acquisition of the JBR Group in September 2024. JBR Capital's product offering principally includes hire purchase agreements to enable customers (such as entrepreneurs and high-net-worth individuals) to acquire vehicles in the supercar, sports car, racing car, luxury car and classic car categories, as well as facilities to fund the restoration of classic cars. The Directors believe that JBR Capital provides a distinctive service, combining discretion, flexibility and specialist expertise in valuing and funding the acquisition of high-end luxury vehicles, which together allow it to offer its loan products at a premium in its chosen market. JBR Capital distributes its motor finance products through a network of brokers, franchise and independent dealers, and direct to end customers.

As at 30 June 2025, the Group had a total motor finance loan book of £598.1 million, of which 53.6 per cent. comprises loans originated by JBR and 46.4 per cent. comprises loans originated by BMFL.

Motor finance commission arrangements

Following the UK Supreme Court's decision in *Hopcraft v Close Brothers Limited*; *Johnson v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance* and *Wrench v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance* [2025] UKSC 33 (together "**Wrench**"), the FCA announced that it will consult in on an industry-wide redress scheme to compensate motor finance customers with respect to so-called discretionary commission arrangements ("**DCAs**") and undisclosed commission arrangements in regulated motor finance transactions. The FCA has stated that it will publish the consultation by early October 2025 and finalise any scheme in time for consumers to start receiving compensation in 2026. The Group continues to assess its exposure to historical regulated motor finance lending; however, based on its initial conclusions from its ongoing assessment, the Group expects its potential redress liability to be immaterial. This conclusion is based on, among other things: (i) the Group's historically low volumes of regulated motor finance; (ii) management's assessment of distinguishing factors between the Group's motor finance arrangements to the case of Mr Johnson which was upheld in *Wrench*; and (iii) modelled complaint and uphold rates. Further information on the recent focus on commission arrangements in the motor finance industry and the Group's views on its potential exposure to any redress liability is set out in section 3.4.2 of Part V (*Market Overview*) and Note 39.2 of Section B of Part IX (*Historical Financial Information*).

(B) Unsecured personal loans

The Group offers a simple and transparent unsecured prime lending proposition to UK consumers. The Group leverages a fully digital and scalable multi-channel distribution model, using the Group's own website and online marketplaces and price comparison websites linked to the Group's systems via integrated APIs, to distribute its unsecured personal loans to end customers. This model allows the Group to provide automated quotations to end customers in as little as four seconds from the time a quotation is requested by the customer. Sophisticated price optimisation tools utilised by the Group also enable it to identify and operate in areas of the market – such as lending to customers seeking longer terms of greater than five years – where the Group can maximise returns, resulting in an unsecured personal loan portfolio weighted towards a higher APR than the market average.

The Group is one of two marketplace lenders in the UK which are 100 per cent. Open Banking led, meaning that every applicant for the Group's unsecured personal loans is required to provide the Group with access to their Open Banking information. This allows the Group to streamline its customer journeys to provide fast credit decisions to customers, whilst reducing its cost of risk with respect to such loans.

4.2.3 Savings

(A) Retail deposits

The Group's savings business provides a wide range of personal and business savings products to over 300,000 retail customers, including fixed and easy access cash ISAs, and easy access, notice and fixed-term accounts.²⁸ Whilst the Group attracts deposits from all retail customer demographics, a significant proportion of the retail customer deposit base is sourced from affluent customers, with high average balances, high retention and long behavioural maturities.

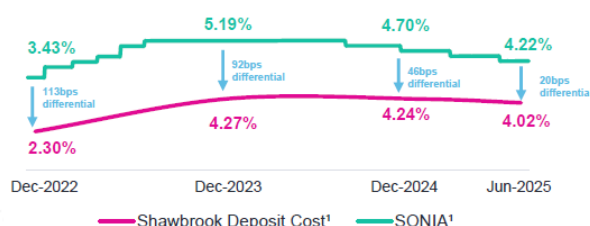
²⁸ Number of retail customers as at 31 December 2024.

The Group operates a flexible and diverse distribution model for its savings products, combining direct-to-customer distribution via its proprietary digital savings platform with distribution via a network of savings partners (as at 30 June 2025, deposits sourced from the Group's savings partners accounted for approximately 22 per cent. of the Group's total customer deposits as at that date). The Group entered into a new savings partnership with Hargreaves Lansdown in 2024, giving the Group access to a larger share of the UK savings market whilst also helping to further diversify its funding streams.

The Group completed the launch of its proprietary digital savings platform, which was designed and developed by the Group's in-house technology teams, in H1 2025. The data-powered platform provides customers with an intuitive online banking experience combining streamlined, fast onboarding processes, robust authentication procedures and self-service capabilities. The platform has allowed the Group to further improve its savings customers' experiences, for example by reducing the average time required for customers to open an ISA account by approximately 50 per cent. when compared with the Group's legacy customer journey. Indeed, the quality of the customer experience offered by the Group's savings business is reflected in its Trustpilot score of 4.6²⁹ out of 5.0 and the recent industry awards which it has received, which include the Savings Champion Best Savings Provider (2024), the moneynet.co.uk Savings Provider of the Year (2024), the Money Comms Best Fixed Rate Cash ISA Provider 2024 and Best Fixed Rate Cash ISA Provider at the Moneyfacts Awards 2025.

For the Group, the digital savings platform provides valuable data insights which, among other things, allow it to forecast customer price sensitivity to maximise price efficiency at the point of customer acquisition and retention, analyse customer journey drop-offs to drive improvements in conversion rates, and to better understand and optimise its marketing channels. The Directors believe that the Group's digitally-led approach to its savings business, combined with its flexible distribution model, give the Group a competitive advantage in the deposits market. This is reflected in the Group's historically low cost of funding and its ability to attract deposits at a lower average cost when compared with the top 10 best buy deposit institutions. From 30 June 2022 to 30 June 2025, the Group estimates that the average cost of new deposits raised was approximately 4.01 per cent.³⁰ while the average cost of new deposits raised by the top 10 best buy deposit institutions was 4.27 per cent.³¹ The chart below compares the cost of the Group's total deposit book against SONIA as at 31 December 2022, 2023 and 2024, and as at 30 June 2025.

Group cost of retail deposits (FY 2022 - H1 2025)



(1) Each SONIA step-up within the reference period is shown, whereas only end-of-year data is shown for Group deposit costs.

²⁹ Trustpilot score as at 18 September 2025.

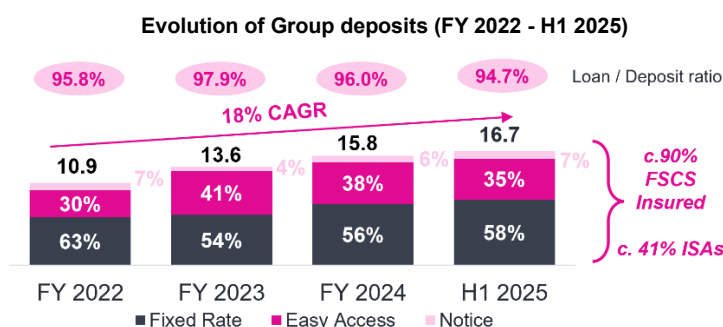
³⁰ Represents the average cost of deposits raised directly by the Group (i.e., excluding deposits raised by the Group's savings partners) for the financial periods stated.

³¹ Average aggregated cost of deposits for the stated period for Easy Access ISA, Easy Access Non-ISA, Fixed 1 Year ISA and Fixed 1 Year Non-ISA savings products offered by the top 10 constituents of a selected best buy deposit table.

The table below shows the Group's deposits as at 31 December 2022, 2023 and 2024, and as at 30 June 2025:

		As at 31 December		As at 30 June
	2022	2023	2024	2025
(£bn)				
Customer deposits.....	10.9	13.6	15.8	16.7

As at 30 June 2025, fixed rate deposits accounted for 58 per cent. of the Group's deposits, easy access products accounted for 35 per cent. and notice access deposits accounted for 7 per cent. Approximately 41 per cent. of the Group's deposits as at 30 June 2025 were held in ISA accounts and approximately 90 per cent. of the Group's deposits are covered by the Financial Services Compensation Scheme. From 31 December 2022 to 30 June 2025, the Group's deposits grew at a CAGR of approximately 18 per cent. The chart below shows the evolution of the Group's deposit base from FY 2022 to H1 2025:



(B) Non-retail deposits

In addition to providing personal and business savings products to retail customers, the Group also offers a series of deposit products to a diverse range of non-retail customers. Such non-retail customers include SMEs, large financial organisations and more specialist clients such as schools, credit unions, charities and trusts. The Group's non-retail deposit products include overnight and long-dated fixed term deposits, base rate tracker notice accounts and client money accounts, with a typical minimum deposit of £1 million. Non-retail customers are onboarded and their relationship managed by a dedicated team which sits within the Group's treasury function, providing a more traditional approach with regular direct client interaction.

The non-retail deposits business is a small part of the Group's overall Savings proposition and its results of operations, including the value of the deposits it sources, are included in the data presented for the Savings proposition in this document.

4.3 Active portfolio management

The Group actively manages its product offering with a view to ensuring that it remains consistent with the Group's strategic objectives. In the three-year period ended 31 December 2024 and the six months ended 30 June 2025, the Group made strategic decisions to withdraw the following products from across its franchises. As at 30 June 2025, the back book attributable to these withdrawn products was approximately £592 million, representing approximately 3.5 per cent. of the Group's total loan book (including structured asset sales) as at that date.

4.3.1 Asset finance

The Group historically offered asset finance solutions to support businesses to purchase a range of specific business assets. Although the Group does from time to time provide operating leases to NHS Trusts via its corporate leverage business unit, this represents a small proportion of the corporate leverage business' overall lending and the Group generally withdrew its asset finance products from the market in January 2025. The Group retained a back book of asset finance loans of approximately £152 million as at 30 June 2025 (representing approximately 0.9 per cent. of the Group's total loan book (including structured asset sales) as at that date).

4.3.2 Partner finance

The Group's Consumer Finance proposition previously offered a number of lending products linked to fund specific purchases made by consumers from certain business partners of the Group. Such products were designed to allow customers to finance home improvements and holiday home purchases, and included interest-free credit, interest-bearing loans and buy now, pay later loans. The Group withdrew from the partner finance market in April 2024 but retained a back book of approximately £119 million as at 30 June 2025 (representing approximately 0.7 per cent. of the Group's total loan book (including structured asset sales) as at that date).

4.3.3 Second charge residential mortgages

The Group historically offered residential second charge mortgages to customers seeking to release capital from their home. The Group withdrew from this market in November 2023 but retained a back book of approximately £160 million as at 30 June 2025 (representing approximately 0.9 per cent. of the Group's total loan book (including structured asset sales) as at that date).

4.3.4 Regulated bridging finance

The Group previously offered regulated bridging loans designed to help customers purchase or sell their residential home. The Group withdrew from this market in January 2023 but retained a back book of approximately £1 million as at 30 June 2025 (representing a *de minimis* proportion of the Group's total loan book (including structured asset sales) as at that date).

4.3.5 Help-to-Buy loans

BML historically offered mortgages to borrowers participating in the UK Government's Help-to-Buy scheme. BML ceased to accept new applications for Help-to-Buy loans following the closure of the Help-to-Buy scheme to new applicants in October 2022, but retained a back book of approximately £160 million as at 30 June 2025 (representing approximately 0.9 per cent. of the Group's total loan book (including structured asset sales) as at that date).

5. Strategy

The Group has a clear and focused strategy designed to continue its trajectory of high-growth and high-returns and to achieve its 30 by 30 Target. This strategy is built on five key pillars: delivering embedded growth inherent in the business; winning market share in growing markets; driving incremental growth through expansion into new and adjacent products and markets; leveraging the Group's technology and digital investments to drive improvements in the Group's cost-to-income ratio; and continuing to employ M&A as a strategic advantage.

5.1 Delivering embedded growth inherent in the business

The Directors believe there is significant embedded growth potential inherent in the Group's business, which is underpinned by current origination volumes and expected growth in the Group's existing markets. The Group's strategy is to leverage this embedded growth potential to support the achievement of its 30 by 30 Target. For further information on the Group's expectation as to how embedded growth will support the achievement of its 30 by 30 Target, please refer to section 2.6 of this Part IV.

5.2 Winning market share in growing markets

The Group has a proven track record of, and intends to continue, growing its market share in its expanding target markets. The Group estimates that its TAM grew organically (i.e., excluding the effect of expansion into new market segments) from approximately £127 billion in loan stock as at 31 December 2017 to approximately £201 billion in loan stock as at 31 December 2024, demonstrating longer-term growth in its target markets. More recently, from FY 2023 to FY 2024, the Group estimates that its share of loan stock in its total addressable Real Estate lending market increased from 6.1 per cent. to 6.4 per cent., while the size of that market is estimated to have increased by approximately £7 billion during the same period. Similarly, from FY 2023 to FY 2024, the Group estimates that its share of loan stock in its total addressable SME lending market increased from 3.0 per cent. to 3.5 per cent., while the size of that market is estimated to have grown by approximately £2 billion during the same period.

The Directors believe that the Group is well-positioned to continue to leverage its differentiated digital and technology capabilities, specialist underwriting expertise and careful selection of key target markets to continue to grow its market share. This is supported by the Group's estimated share of new lending flows across its target markets when compared to its estimated share of existing loan stock. Across the Group's lending markets, the Group estimates that it has an average market share of its TAM of approximately 5 per cent. of loan stock and 7 per cent. of new lending flows. If the Group is able to maintain a higher share of new lending flows than its current share of existing loan stock in a given market, its share of the loan stock in that market should naturally grow organically as it wins a greater share of new originations and existing loans are repaid.

5.3 Drive incremental growth through optimising its existing product suite and expansion into new markets and adjacent product ranges

The Group believes there is an opportunity to drive incremental growth through optimising its existing product suite and expanding into new markets and adjacent product ranges. The ability of the Group to successfully deliver on this strategy is supported by its track record of expanding into new product verticals and enlarging its TAM. In 2017, the Group's TAM was approximately £127 billion in loan stock. As a result of market growth and the Group's expansion into new product verticals, such as motor finance, owner-occupied mortgages, development finance, speciality finance and financial sponsors, the Group's lending TAM has grown to approximately £296 billion as at 31 December 2024.³²

³² Group information (including data based on estimates from leading consulting firm).

The Group intends to develop its suite of products in markets where it has identified opportunities for strong risk-adjusted margins. Each new product offering or market entered is supported by the relevant underwriting and sector expertise within the Group and a strict governance and appraisal system used to enable the Group to successfully expand its business. The Group has a number of expansion opportunities it is currently considering across its franchises, including further development of specialist products in its existing markets (for example, growth finance and prime motor finance products, as well as finance products to support the development of co-living spaces), supporting its SME client base for longer, optimising the Group's existing product suite and entering into adjacent markets (such as transactional banking and flexible working capital solutions). The Directors believe that, by leveraging those opportunities and expected growth in the Group's target markets, there is an opportunity to continue to grow the Group's lending TAM to over £350 billion by 31 December 2030.

5.4 Significant investments in technology and digital driving operational leverage and customer experience

The Group has invested over £260 million in its technology capabilities since 1 January 2017, with £135 million of this investment made in the last three financial years.³³ This significant investment has transformed the Group into a digitally enabled bank which is able to drive growth at low incremental costs. This focus on investing in the Group's technology capabilities has delivered significant operating leverage, with the Group's underlying cost-to-income ratio improving from 45 per cent. in 2017 to 40 per cent. in H1 2025, and administrative expenses remaining stable when comparing the six months ended 30 June 2024 and 30 June 2025, respectively (excluding one-off post-acquisition costs associated with the JBR Acquisition and one-off staff related costs).

Key levers of further cost optimisation in the medium term are expected to include ongoing innovation leveraging the Group's flexible technology platforms, which enable scalable deployment of new solutions at low incremental cost. Further efficiencies are anticipated through enhancing colleague capacity by leveraging AI, allowing automation of routine tasks, thereby freeing up staff for higher-value activities and increasing productivity. The Group's well-invested hybrid multi-cloud infrastructure is expected to support scalability, enabling efficient third-party integration, rapid development, and adaptability to evolving customer needs. Additionally, the expansion of datasets used in underwriting and risk monitoring is expected to strengthen risk assessment, improve predictive accuracy and support more proactive interventions.

In addition, the Group is able to deploy its proprietary Broker Hub, Lending Hub and digital savings platform to deliver a premium customer experience across its product spectrum.

5.5 Continuing to employ M&A as a strategic advantage by identifying acquisition opportunities and supercharging acquired businesses

The Group has a proven ability to employ selective, value accretive M&A as a strategy to enter attractive new markets and accelerate its growth in existing markets. Since 2011, the Group has completed 24 M&A transactions (including strategic acquisitions and forward flow facilities), generating £65 million in goodwill net of capital contributions from its acquired businesses.³⁴ As at 31 December 2024, the businesses acquired by the Group since 2011 represented approximately 5 per cent. of the Group's tangible equity, and, in FY 2024, TML, BML and JBR Capital together generated in excess of 20 per cent. of the Group's profit before tax.³⁵

³³ £260 million investment represents business as usual and strategic technology expenditure, as well as people costs attributable to the Group's Chief Technology Officer and Chief Product Officer cost centres (to the extent not included in strategic technology expenditure).

³⁴ Goodwill generated by acquisitions since 2011 net of capital contribution reserve. Excludes transaction impact of the ThinCats Acquisition which is immaterial.

³⁵ Includes FY 2024 profit before tax for TML and BML, and annualised profit before tax for the JBR Group for the three months ended 31 December 2024. Figures exclude the impact of the ThinCats Acquisition.

The Group's strategy is to supercharge acquired businesses by enhancing their distribution and underwriting capabilities in markets which the Group believes are highly profitable, providing them with access to the Group's stable, low-cost funding sources and, where appropriate, onboarding them onto the Group's technology and risk platforms to support operational efficiency and scalability. This strategy has historically allowed the Group to deliver significant growth in its acquired businesses, including TML and BML (which together form the Group's Retail Mortgage Brands proposition) and JBR Capital.

Since being acquired by the Group in 2021 and 2023, respectively, TML and BML have scaled significantly, increasing their combined annual originations from £0.5 billion to £1.5 billion³⁶, combined loan book from £1.5 billion to £5.6 billion³⁷ and combined annual net operating income from £37 million to £112.3 million.³⁸ Similarly, JBR Capital's loan originations grew by more than seven times from approximately £10 million in the six months prior to completion of the JBR Acquisition to approximately £78 million in the six months immediately following completion of the JBR Acquisition.

On 30 September 2025, the Group completed its acquisition of the entire issued share capital of ThinCats, a leading specialist lender with a strong track record in providing bespoke funding to established, growth-focused SMEs. ThinCats tends to lend to smaller SME customers when compared with those serviced by the wider Group, and the Directors therefore believe that the ThinCats Acquisition will enable the Group to access a larger part of the SME lending market, complementing the Group's existing SME lending proposition.

On completion of the ThinCats Acquisition, ThinCats had a loan book of approximately £0.6 billion, resulting in an 18 per cent. increase in the Group's SME loan book as at 30 June 2025. The Group expects that ThinCats will achieve underlying profit before tax of between £20 million and £25 million in FY 2026 and between £30 million and £35 million in FY 2027, driven principally by cost savings arising from refinancing ThinCats' existing debt facilities, as well as cost synergies across central functions. By way of illustration, if ThinCats were to achieve its expected profitability in FY 2026 and FY 2027, this would represent a pro forma uplift to the Group's FY 2024 underlying profit before tax of between 7 per cent. and 11 per cent.³⁹

ThinCats is expected to generate net operating income of between £50 million and £55 million in FY 2026 and between £60 million and £65 million in FY 2027 (achieving an expected net interest margin of approximately 7.0 per cent. in FY 2026 and 7.3 per cent. in FY 2027), and an underlying return on tangible equity in the low 20s percentage range in FY 2026 and the low-to-mid twenties percentage range in FY 2027, resulting in an illustrative return on tangible equity accretion of between 10 basis points and 60 basis points across those financial years.⁴⁰ The acquisition is in line with the Group's stated strategy of complementing its strong organic prospects with selective, value-accretive M&A.

³⁶ Annual originations of £1.5 billion represent combined originations of £763 million for TML and BML for the six months ended 30 June 2025, presented on an annualised basis.

³⁷ Loan book data represents the combined loan book for TML and BML (including structured asset sales).

³⁸ In each case, comparing the financial year prior to the date of their respective acquisitions by the Group to the six months ended 30 June 2025. Net operating income of £112 million represents combined net operating income for TML and BML for the six months ended 30 June 2025 of £44.5 million (excluding a net gain on sale of £23.3 million) presented on an annualised basis. The excluded £23.3 million gain on sale is then added back to reach £112 million.

³⁹ Percentage range calculated by dividing the midpoint of the expected underlying profit before tax of ThinCats for FY 2026 (to compute the bottom of the range) and FY 2027 (to compute the top of the range) by the actual underlying profit before tax of £293.8 million achieved by the Group in FY 2024. The quotient in each case has been rounded down to the nearest whole per cent. This calculation is provided only to illustrate the pro forma impact of ThinCats' expected profitability on the Group's results of operations in FY 2024 and does not constitute, and should not be relied upon as, a profit forecast for the Group.

⁴⁰ Return on tangible equity computed on CET1 assuming target CET1 ratio of 12.5 per cent. Illustrative normalised return on tangible equity accretion is calculated by adding ThinCats' expected return on tangible equity (at a CET1 ratio of 12.5 per cent.) for FY 2026 and FY 2027 to the Group's FY 2024 adjusted return on tangible equity, assuming a risk weighted assets density of 90 per cent., an effective tax rate of 27 per cent. and a CET1 ratio of 12.5 per cent.

The Group's M&A strategy is enabled by a professional in-house corporate development team with deep expertise in sourcing opportunities, conducting due diligence, executing transactions and integrating acquired assets into the Group's business. The Group's corporate development team approaches all potential M&A opportunities with a disciplined framework, employing a strict set of criteria to ensure each transaction aligns with its corporate objectives and delivers measurable benefits. The evaluation process rigorously assesses strategic and cultural fit, additive capabilities and product sets, capacity for strong risk-adjusted returns, synergistic and value accretion potential, valuation as well as growth potential while sustaining shareholder value. This prudent and methodical approach ensures that every transaction supports the Group's vision for sustained and responsible growth.

The Directors believe that the Group's demonstrable M&A capabilities represent a strategic advantage, which the Directors intend to continue to employ to support the delivery of the Group's overall growth strategy. The Group has identified a robust and diversified pipeline of opportunities across a wide variety of segments that provide optionality to accelerate its growth via M&A

5.6 Strategic priorities

Alongside the five strategic pillars outlined above, the Group focuses on three key strategic priorities: maintaining an exceptional customer franchise; maintaining the Group's entrepreneurial culture driving growth and performance; and maintaining and developing the Group's robust and sustainable technology platform.

5.6.1 Maintaining the Group's exceptional customer franchise

The Group aims to maintain a diversified offering, supporting clearly defined customer groups in carefully selected markets. It aims to offer innovative lending propositions which are tailored to meet the specific and often event-driven funding needs of its customers, and to deliver excellent experiences and positive customer outcomes.

5.6.2 Maintaining the Group's entrepreneurial culture driving growth and performance

The Group seeks to foster a culture that drives innovation and agility by leveraging its digital capabilities, to be an attractive destination for the best technology and banking talent. This underpins the Group's ability to drive balance sheet growth and attractive risk-adjusted returns.

5.6.3 Maintaining and developing the Group's robust and sustainable platform

The Group aims to leverage its platform to drive sophisticated data-driven and forward-looking risk management and to continue to operate with an operationally efficient and cost-effective model and conservative capital management, which is able to deliver long-term sustainable value for its stakeholders.

5.7 Sustainability strategy

The Group's sustainability strategy is integrated into its overall business strategy and prioritises the areas where the Group believes it can drive the greatest impact. By leveraging the Group's expertise, the Group aims to create lasting value for its stakeholders while contributing positively to society and the wider environment. The Group's sustainability strategy is underpinned by three key pillars: Planet, Society and Impact.

5.7.1 Planet

The Group's climate strategy forms a central part of its sustainability strategy and is comprised of three key priorities: (i) supporting the climate transition; (ii) reducing the Group's environmental impact; and (iii) embedding environmental considerations throughout the organisation. These priorities are underpinned by the Group's climate-related targets, which include being a net zero organisation by the end of 2050⁴¹ and for its own operations to be net zero by 2035⁴². The Group aims to provide £1.2 billion of sustainable finance lending by the end of 2025 and in support of that target it originated more than £640 million of sustainable finance in 2024⁴³. As at 30 November 2024, 45 per cent. of the Group's buy-to-let loan book and 47 per cent. of its owner-occupied loan book was rated Energy Performance Certificate ("EPC") C or higher.⁴⁴ In addition, the Group is committed to ensuring at least 50 per cent. of its top suppliers are net zero aligned by the end of 2025.⁴⁵

5.7.2 Society

The Group strives to support a thriving and inclusive society through its products, services and people. The Group aims to support the UK economy through extending access to inclusive finance for homeowners, developers and SMEs. In 2024, the Group originated over £340 million of socially focused sustainable finance⁴⁶, including mortgages to first-time buyers, those with complex income profiles and the self-employed. It also continued to embrace innovation to support its customers, including by utilising AI to identify and support customers in vulnerable situations. Additionally, the Group believes that its entrepreneurial culture drives innovation and strong financial performance and it intends to continue to develop its existing and future talent development programmes and pipeline to support this.

5.7.3 Impact

The Group extends its social impact beyond finance through investing in and supporting communities and employee-selected charitable initiatives. The Group principally delivers this through strategic partnerships, charitable donations and volunteering. In 2024, the Group donated over £250,000 to more than 40 individual charities and its employees recorded over 1000 hours of "Make a Difference" volunteering. The Group believes this approach amplifies its sustainable and positive impact and fosters stronger relationships with the communities with which it interacts.

The Group's sustainability strategy is underpinned by its responsible business practices and its robust governance and risk management. The Board is responsible for setting the Group's strategic aims to drive long-term sustainable success, whilst management is responsible for its implementation and delivery. Sustainability is embedded across the organisation, including within the Group's bonus scheme performance measures, and further reinforced through its credit policy, which is guided by a set of sustainability principles to align lending with its broader sustainability strategy.

⁴¹ This target covers: (i) Scope 1 and Scope 2 emissions; and (ii) the following Scope 3 emission categories: (a) category 3 fuel-and-energy related activities, (b) category 5: waste, (c) category 6: business travel, (d) category 7: employee commuting, and (vi) category 15: financed emissions for the Group's property lending and SME portfolios, but excludes Scope 3 category 1: purchased goods and services.

⁴² This target includes Scope 1 and Scope 2 emissions and uses location-based methodology. It excludes all relevant Scope 3 emission categories.

⁴³ This includes the Group's lending in its financial year ended 31 December 2024 that aligns to the environmental criteria set out in its Sustainable Finance Framework.

⁴⁴ Percentage of known EPC ratings in the Group's buy-to-let and owner-occupied portfolio. This covers 71 per cent. of the Group's buy-to-let portfolio and 85 per cent. of the Group's owner-occupied portfolio.

⁴⁵ Percentage of the Group's suppliers in respect of which the Group spends an annual amount of over £200,000 and 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.

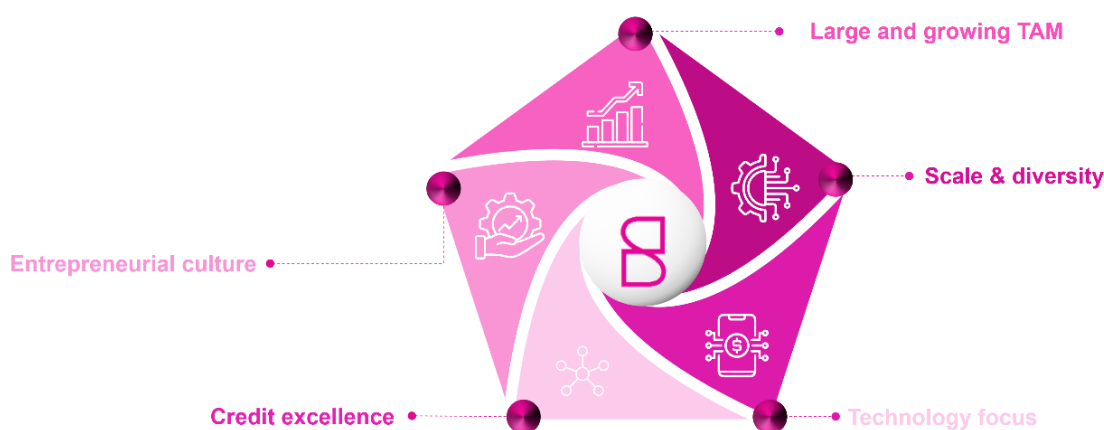
⁴⁶ This calculation includes the Group's lending in its financial year ended 31 December 2024 that satisfies the social criteria set out in its Sustainable Finance Framework.

When lending in sectors identified as “sensitive” due to their potential for significant adverse environmental and social impacts, such as high-carbon industries, the Group implements certain measures including exclusions for financing specific activities or requiring enhanced due diligence to evaluate the potential customer’s net zero transition plans thoroughly. The Sustainability Panel, comprising the CEO, Chief Risk Officer, and CFO, serves as an escalation point for transactions with potentially high environmental and/or social risks.

The United Nations Sustainable Development Goals (“**UNSDGs**”) comprise 17 interconnected global objectives to guide nations, governments and companies towards a sustainable future. The Group is committed to eight of the UNSDGs and believes that it is able to make a positive contribution towards their achievement through its sustainability strategy and priorities.

6. Key strengths

The delivery of the Group’s strategy is anchored in a combination of five key strengths which the Directors believe differentiate the Group’s business model and underpin its long-term objectives.



6.1 Large and growing TAM

The Group’s cumulative lending proposition benefits from a large and growing TAM, which it estimates had grown from approximately £127 billion in loan stock in 2017 to approximately £296 billion in loan stock as at 31 December 2024. Growth in the Group’s TAM has been achieved through a mix of organic market growth, as well as the Group’s entry into attractive new market segments such as development finance, corporate leverage and lending to financial sponsors in its Commercial franchise, and owner-occupied mortgages and motor finance in its Retail franchise.

Across the Group’s market segments, the Group estimates that it has an average market share of its TAM of approximately 5 per cent. of loan stock and 7 per cent. of new lending flows. If the Group is able to maintain a higher share of new lending flows than its current share of existing loan stock in a given market, its share of the loan stock in that market should naturally grow organically as it wins a greater share of new originations and existing loans are repaid.

Further information on the Group’s TAM, and the attractive segments of the UK lending and savings market that it operates in, is set out in Part V (*Market Overview*).

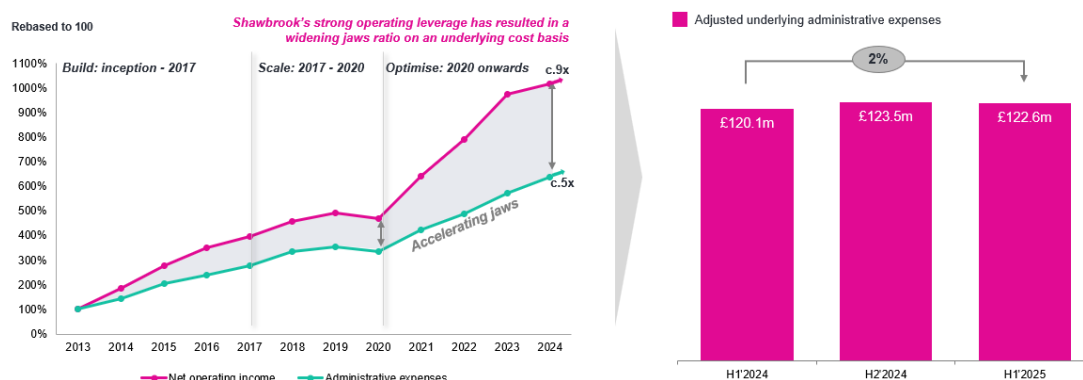
6.2 Scale and diversity

The Group operates a scaled and diversified platform, providing finance solutions to a wide range of customers across carefully selected markets. These range from complex structured credit facilities for SMEs, to mortgages for professional landlords and property investors, as well as motor finance for high-net-worth individuals. Its four core lending segments (SME, Real Estate, Retail Mortgage Brands and Consumer Finance) underpin a strong runway for continued growth, while offering optionality for capital allocation and risk management.

In 2024, the Group continued to organically expand its footprint, demonstrating the ability to seize growth opportunities, for example through the launch of its Structured Real Estate proposition and a repositioned Development Finance exit loan product (please refer to sections 4.1.1 and 4.1.2 of this Part IV).

6.3 Technology focus

The Group has technology at its core and has built a well-invested, efficient and scalable digital platform that is purpose-built for growth, delivering excellent customer experiences and strong risk management capabilities. The Group has invested over £260 million in its technology capabilities since 2017, which has transformed the Group into a digitally enabled bank which is able to drive growth at low incremental costs.⁴⁷ The Group's technology focus has delivered significant operating leverage for the Group, with its net operating income having grown approximately 1.6 times faster than its administrative expenses from the start of its financial year ended 31 December 2013 to the end of FY 2024.



The Group's digital strategy is underpinned by three key building blocks: people, systems and data.

6.3.1 People

The Group's digital products and technology capabilities are delivered by a highly-qualified and experienced technology team, spanning cloud, data and software engineering, information security, IT infrastructure and corporate technology, and risk, governance and digital delivery. The Group believes it has best-in-class digital talent and agile, innovative ways of working.

⁴⁷ Adjusted underlying costs in the chart above exclude (£2.1 million) and (£2.5 million) in respect of the Bank of England Bank Levy in the six months ended 30 June 2024 and the six months ended 30 June 2025 respectively, staff-related exit costs of (£4.2 million) in the six months ended 30 June 2025, and the costs of the JBR Group following its acquisition in September 2024 (being £3.1 million of costs in the six months ended 31 December 2024 and £5.0 million of costs in the six months ended 30 June 2025).

The Group's technology team operates with 19 cross-functional squads with product managers and designers from the Group's Commercial and Retail franchises working collaboratively with engineering, cloud and data experts, allowing the Group to design, build and launch new digitally enabled products and other technology innovations at pace. The Group has already realised significant benefits from this way of working, including, in the Group's last two financial years, a reduction in new customer journey design time from approximately three months to just two weeks and a 60 per cent. increase in the number of new feature releases.

As at 30 June 2025, approximately 19 per cent. of the Group's workforce were dedicated to product, technology and data functions and the Group employed 69 colleagues in its data team and 67 software engineers.

6.3.2 Data

The Group leverages an advanced data platform with over 500 TB of available data and over 1,000 possible data points per customer, underpinned by approximately 20 predictive high-risk trigger rules. The Group's proprietary data framework enables Group-wide self-service analytics, deep insights throughout the customer and colleague lifecycles, proactive customer interactions, smarter credit underwriting and fast, accurate risk management. For example, in the Group's savings business, by combining data on customer journeys, pricing and retention, the Group has been able to better understand how to simplify and improve its process for customers to reinvest their savings – today, acting on timely alerts managed by the Group's savings platform, approximately 83 per cent. of the Group's customers self-serve their reinvestment journeys.

The Group's data platform provides an entire bank Single Customer View ("**SCV**") capability across all 13 of its lending product verticals. The SCV provides a holistic view of any customer's relationship with the Group, supporting underwriters to more easily and quickly assess cross-bank exposure and loan performance to support credit decisions and manage lending. The Group's SCV covers 99.9 per cent. of the Group's customers.

6.3.3 Systems

The Group has developed robust, resilient and scalable hybrid multi-cloud infrastructure, with modular architecture and all based on Infrastructure as Code (IaC). This enables seamless third-party integration, rapid development and innovation, and adaptability to evolving customer needs. The Group's unified technology stack, which powers every part of its business, deploys low-code platforms to improve automation and boost efficiency, API-first microservices that seamlessly scale and integrate, Group-wide reusable components which increase speed of delivery and reduce costs, and cloud analytics which drive more intelligent underwriting decisions and risk management. The Group's technology offering also includes its proprietary Broker and Lending Hub platforms and its proprietary digital savings platform (for further information on such platforms, please refer to sections 4.1 and 4.2 of this Part IV).

The Group combines human judgements with embedded AI capabilities with the aim of delivering efficiency gains and building long-term differentiated growth. The Group has deployed or enables access to a suite of Group-wide AI tools (for example, Microsoft Copilot and ChatGPT), as well as team and role specific AI tools. The Group has already observed significant benefits associated with its use of AI, including a 2-3 hour per week time saving per Microsoft Copilot user, a reduction in the time taken for the Group's quality assurance staff to review customers' cases by two thirds and a reduction in the time required for the Group's staff to review property valuation reports from one hour to approximately one minute.

The Group is also harnessing AI agents to differentiate its interactions with customers at key stages of the customer lifecycle, with a colleague assistant for the Group's underwriting teams having already gone live. The Group has AI agents at the proof-of-concept stage to assist with reviewing new loan applications and to assist with customer messaging during servicing and is also exploring a heads of term agent to assist with customer due diligence and a watchlist agent to assist with customer monitoring. The Group expects its increasing use of AI agents to deliver a number of benefits, including increased front-office capacity, credit quality improvements, improved pipeline conversion and enhanced financial crime monitoring and detection.

The Group has adopted multi-layered 24/7 cyber security measures which are aligned to NIST and ISO27001. The Group partners with global cyber security service providers, including CrowdStrike for network and endpoint protection, Darktrace for threat intelligence, Secureworks for security operations and Veracode for code and container security. The Group has not had any cyber security breaches in its past five financial years.

6.3.4 Recent achievements

Technology is embedded across the Group, supporting operational efficiency, product delivery and innovation at scale. In 2024 and the first half of 2025, the Group continued to strengthen its digital foundation including through:

- **Launch of a new proprietary digital savings platform** providing intuitive, self-serve online journeys while reducing dependency on the Group's customer service teams for day-to-day support (please refer to section 4.2.3 of this Part IV).
- **Deployed AI and machine learning tools** allowing the Group to automate internal processes, enhance scalability and improve both colleague and customer experiences.
- **Launched new credit management platform (nCino) for the Group's Structured Lending proposition** in February 2025, streamlining origination, credit and portfolio management into a single, scalable system. This enhances decision-making and proactive risk oversight through improved data access and advanced analytics.
- **Deployed next-generation core banking platform (Thought Machine)** in May 2025 to the Group's Real Estate buy-to-let business. This allows rapid product design and launch, unifies the Group's banking structure and provides a scalable foundation for future growth.
- **Expanded the Group's proprietary Lending Hub origination platform** to include bridging finance. Lending Hub now supports 57 per cent. of the Group's total Real Estate lending cases, helping to reduce the time between the receipt of a full mortgage application to the making of a formal mortgage offer by up to 46 per cent. for digital buy-to-let cases and improving conversion rates by 18 per cent. in H1 2025.⁴⁸
- **Implemented PEXA Create Workspace API**, enabling fully digital lodging of Land Registry documents and financial settlements, improving speed and efficiency of relevant Real Estate transactions.
- **Enhanced digital journeys**, including in the Group's Digital SME proposition, where enhanced automation has reduced lending decision times and enabled the Group to offer same day payouts to SME customers.

⁴⁸ Reductions in time to formal offer are measured as at July 2025, based on average days from agreement in principle to formal mortgage offer, comparing digital buy-to-let cases with flow buy-to-let cases processed via the Group's Lending Hub platform. Improvements in conversion rates are measured as at July 2025; digital buy-to-let cases processed via Lending Hub increased to 84 per cent. in H1 2025 compared with an increase to 66 per cent. for digital buy-to-let cases processed on the Group's legacy platform.

6.4 Risk excellence

The Group's disciplined and data-driven approach to credit is a key strength, enabling it to pursue attractive growth opportunities without taking undue risk. The Group operates an established, agile and scalable risk platform designed to support continued growth and maintain a low cost of risk. This is underpinned by deep specialist expertise tailored to each individual business segment and is powered by proprietary technology, data and knowledge, as well as an ecosystem of always-on early warning indicators.

The Group blends proprietary risk tools with modular third-party data sources, operating a robust risk management technology stack that supports agile decision-making, portfolio insight and proactive in-life management. Data sits at the heart of identifying both risks and opportunities, with ongoing investment in risk infrastructure. This includes in-house built dashboards in the Commercial franchise that combine internal reporting with external credit and valuation data to enhance real-time monitoring capabilities.

The Group's portfolio is diverse and, as at 31 December 2024, was 97 per cent. secured⁴⁹ which provides downside protection and reflects a deliberate approach, by design, to risk construction. The figure below outlines certain characteristics of the Group's Commercial and Retail loan books which illustrate their respective risk profiles.

	Commercial		Retail	
	SME	Real Estate	Retail Mortgage Brands	Consumer Finance
Average exposure	DSME: £92k Structured Lending: £3.8m	~£425k	~£210k	~£10k
Diversification	No individual sector >15%	>25k units	Diversified across the UK	~113k customers
Downside protection	99.5% secured	66.9% WALTV	66.8% WALTV	51.8% secured
Gross Yield Net of Write-offs	11.2%	6.2%	6.3%	6.6%

(1) Financial data provided as at and for the Group's financial year ended 31 December 2024.

(2) Average exposure calculated as the loan book of each proposition divided by the number of customers.

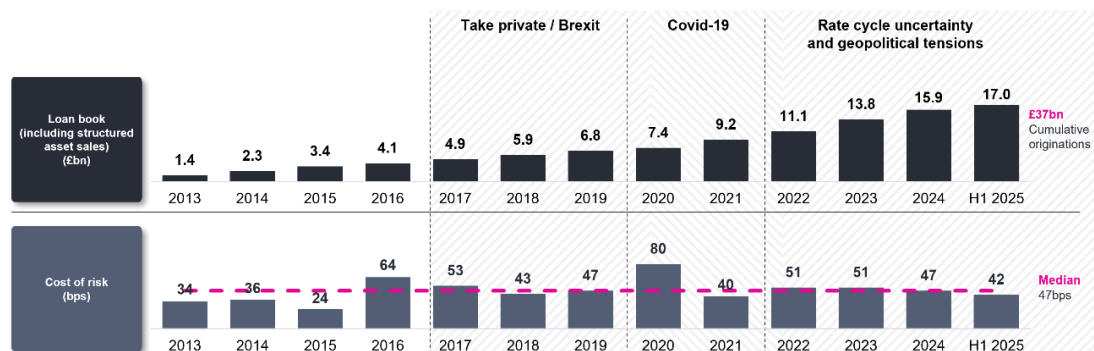
(3) Gross yield net of write-offs calculated as gross asset yield minus net write-offs.

The Group's specialist expertise enables the Group to understand, manage and price risk in the markets in which it operates with a view to capturing strong risk-adjusted returns. The Directors believe that the Group's approach to risk has allowed it to achieve "risk excellence", delivering strong historic loan book growth while maintaining a low and relatively stable cost of risk.

From 1 January 2013 to 30 June 2025, the Group achieved cumulative loan originations of £37 billion and maintained a median net interest margin of 5.1 per cent. while, during the same period, incurring net write-offs⁵⁰ of just £243 million and maintaining a median cost of risk of 47 basis points. The chart below shows the evolution of the Group's loan book along with its cost of risk and net interest margin as at and for the Group's financial years ended 31 December 2013 to 31 December 2024 and for the six months ended 30 June 2025.

⁴⁹ As at 31 December 2024, approximately 97 per cent. of the Group's loan book by value was secured.

⁵⁰ Net write-offs represent actual, realised losses (net of recoveries). Cost of risk includes estimated expected future losses.



In 2024 and 2025, the Group continued to enhance its credit and risk management capabilities through a series of targeted initiatives:

- **Expanded its early-warning** capabilities by leveraging its proprietary technology, the Group continued to enhance its ability to detect potential emerging credit issues and take proactive actions to address them.
- **Enhancing its digital risk management platform** to unify the Group's audit, risk and compliance assessments into a single data-driven platform, improving efficiency and fostering closer collaboration across all three lines of defence.
- **Creation of Risk Services** to bring together franchise agnostic risk disciplines and processes into a common Group-wide capability, driving improved efficiency and effectiveness.

6.5 Entrepreneurial culture

The Group benefits from a deep and experienced management team, supported by an entrepreneurial, agile and performance-driven culture. This culture underpins its ability to attract and retain top talent across both banking and technology, positioning the Group to win in its chosen markets. Over 80 per cent. of senior leadership are current shareholders in Marlin and/or participate in Marlin's equity-based incentive arrangements, with an average tenure of eight years, reflecting strong alignment with the Group's long-term value creation. For further information on the participation of the Directors' and Senior Managers' participation in Marlin's equity-based incentive arrangements, please refer to section 10 of Part XI (*Additional Information*).

The Group's entrepreneurial mindset has also enabled the Group to establish a leading M&A consolidation platform, with 24 transactions completed since 2011. This approach continues to expand the Group's capabilities and TAM, while creating long-term value and positioning the platform for future opportunities. By successfully integrating and enhancing high-quality lending platforms, the Group has consistently delivered significant additional value. For further information on the Group's M&A capabilities, please refer to section 5.5 of this Part IV.

Employee engagement remains strong, with the latest colleague survey achieving an 87 per cent. participation rate and 81 per cent. engagement score in FY 2024.

7. Material dependencies

The Group naturally depends on services provided by a wide range of third parties to conduct its business. The summary below describes the licences and commercial relationships which the Group considers to be most material to its business and profitability.

7.1 Services which impact the Group's important business services

The Group relies on various third-party service providers which it considers to be material outsourcers or which provide services which could impact the Group's important business services (i.e., services which, if disrupted, could pose a risk to the Group's safety and soundness). The services provided by such third parties can be broken down into the following broad categories:

- compliance services, including 'know-your-client' and customer due diligence services, and access to the CIFAS national fraud database;
- customer credit reporting and risk management services;
- payment services, including payee verification, clearing and settlement;
- managed IT and communications services, including core business software provision, hosting of online platforms and provision of mobile and other connectivity services;
- customer care services, including the provision of customer contact centres, and hard copy and digital customer communications services;
- loan servicing and payment collection services; and
- access to, and maintenance of, the savings and retail deposit origination and management platforms used by the Group.

The Group manages its relationships with material outsourcers and third parties which provide services that could impact the Group's important business services in accordance with applicable PRA guidance. Accordingly, among other things, the Group monitors the relevant service providers' financial health on an ongoing basis, requires them to have tested business continuity plans and puts in place documented and tested plans with such providers as to how an exit of the Group's relationship would be managed (in both stressed and non-stressed scenarios).

7.2 Other material third party services

The Group also relies on other third-party services which are not categorised by the Group as a material outsourcing and do not provide services which impact on the Group's important business services for the purposes of the applicable PRA guidance, but which the Group nonetheless considers to be material to its business. Such services include the provision and maintenance of the Group's loan origination and management platforms and certain ancillary payment services.

7.3 Savings partners

Although the Group's savings products are principally distributed through the Group's own proprietary digital savings platform, a proportion of its savings products are distributed through the Group's relationships with certain savings partners (as at 30 June 2025, customer deposits sourced from the Group's savings partners accounted for approximately 22 per cent. of the Group's total customer deposits as at that date). Although the identity of the Group's savings partners changes from time to time, the Group's key savings partners currently include Flagstone, Hargreaves Lansdown, Insignis and Raisin.⁵¹ The Group maintains limits on the proportion of its deposits which can be sourced from: (i) savings partners generally; and (ii) any one savings partner. The general limit and certain savings partner specific limits were increased in September 2025, and the percentage of total customer deposits sourced from the Group's savings partners is expected to increase in the near term; however, the proportion of customer deposits sourced from savings partners is subject to change over time as the Group continually seeks to diversify and optimise its funding proposition.

7.4 Distribution partners

As described in more particular detail above with respect to each of the Group's lending propositions, the Group deploys its product offering through a dynamic multi-channel distribution strategy, to support a flexible and innovative approach to origination. Combining direct, digital, partner-led and inorganic routes to market, the Group's core distribution channels include brokers, sponsors, key business introducers, forward flow lending partners alongside best-in-class digital partnerships. The mutually beneficial relationships held with the Group's distribution partners are essential to the successful delivery of the Group's strategy and offer the Group greater insight into its attractive markets.

7.5 BML brand licence

The Group's BML business uses the 'Bluestone Mortgages' brand (the "**BML Brand**") to conduct its business. BML uses the BML Brand under the terms of a trade mark licence (the "**BML Trade Mark Licence**") between BML and Bluestone Investment Holdings Limited, one of the sellers from whom Shawbrook Bank acquired BML.

The BML Trade Mark Licence is for an initial fixed term of five years and will expire on 31 May 2028 unless extended by BML for a further term of five years. BML has no right to extend the BML Trade Mark Licence beyond 31 May 2033. The BML Trade Mark Licence is terminable by Bluestone Investment Holdings Limited in certain circumstances, including if BML fails to pay any part of the licence fee when due, or if BML commits any material or repeated breach of any provision of the BML Trade Mark Licence.

⁵¹ The Group is no longer originating new customer accounts with Monzo but retains a back book of existing customer accounts.

PART V

MARKET OVERVIEW

This Part V (Market Overview) should be read in conjunction with the more detailed information contained in this Registration Document, including the financial and other information in Part VIII (Operating and Financial Review).

1. Introduction

The UK has a large and diverse market for lending and savings products. The Group operates in the UK lending and savings market through its Commercial franchise and Retail franchise.

2. UK lending and savings market

2.1 Overview

A brief description of the key groups of participants in the UK lending and savings market is set out below.

2.1.1 Large high street banks

The UK banking sector is led by five large high street banking groups. This group of banks comprises Barclays, HSBC, Lloyds Banking Group, NatWest Group and Santander UK. Historically, these institutions have often taken a one-stop-shop approach to lending for both personal and corporate customers: they provide a wide range of products and services across the banking spectrum, including consumer and corporate lending, investment banking, current accounts and other corporate and retail deposits, with distribution typically delivered through their extensive branch networks and via relationship banking.

2.1.2 Medium-sized banks

Several medium-sized banks are also active in the UK lending and savings market, including TSB and Metro Bank. These banks broadly seek to service the same mainstream retail and commercial markets that the large high street banks target but arguably do not benefit from the economies of scale of larger banks.

2.1.3 Building societies

Building societies are owned by, and run for the benefit of, their members, who form the majority of a society's mortgage and savings customers. Examples include Nationwide Building Society, Coventry Building Society and Yorkshire Building Society.

2.1.4 Specialist lenders

There are a number of specialist lenders, such as Paragon Bank, One Savings Bank, Investec UK and Close Brothers Group, focusing on specific sub-sectors of the UK lending and savings market which are generally viewed as being underserved by large and medium-sized banks and building societies due to their specialised nature, credit portfolio and/or the need for bespoke underwriting processes. The Group sits in a "category of one" within the specialist lender category, leveraging its differentiated, digitally enabled and scalable banking platform to provide finance to a wide range of customers across the SME, real estate and consumer sectors who value the premium experience, flexibility, speed and certainty that the Group delivers.

2.1.5 Non-bank specialist lenders

Several non-bank finance companies have historically been active in the UK lending market, such as Together, S&U, Novuna and Funding Circle. Such companies typically do not have a banking licence and are therefore unable to access funding through taking deposits, instead relying on funding through the wholesale markets. However, like specialist banks, specialist non-bank lenders are typically active in specific sub-sectors of the UK lending and savings market which are generally viewed as being underserved by large and medium-sized banks and building societies.

2.1.6 Digital or 'neo' banks

In the last decade, there has been significant growth in the number of digital-only or 'neo' banks which, unlike traditional large and medium-sized banks and building societies, do not have physical branches and instead rely solely on digital platforms to distribute their lending and savings products. Some of these digital-only banks are specialist lenders, such as OakNorth, Allica and Atom Bank, whereas others, such as Monzo, Revolut, Starling and Chase UK appear to have a focus on their deposit offerings. Digital-only banks are often referred to as 'challenger' banks, on account of the typically digital-first, personalised user experience which challenges the traditional banking model operated by large and medium-sized banks and building societies.

2.2 Key trends

2.2.1 Structural change since the 2008 financial crisis

Since the beginning of the global financial crisis in 2008, the UK banking market has experienced considerable structural change, which the Directors believe has created a compelling opportunity for lenders, such as the Group, with differentiated, specialist lending capabilities. The large high street banks responded to the financial crisis by simplifying their often complex business models, while changing market and regulatory conditions have meant that they remain focused on more commoditised markets. The Directors believe that, as large high street banks have simplified their business models, they have principally sought to leverage their scale efficiencies by addressing the largest sub-sectors of the lending market and have tended to prioritise lending high volumes of more commoditised products over offering products that require bespoke underwriting. This has created an opportunity for lenders with specialist capabilities, such as the Group, to grow by offering customers more tailored and differentiated lending and savings solutions.

The Directors believe that the participation of large high street banks has become relatively limited in lending areas that require specialist lending capabilities, as well as in areas that are extensively distributed through intermediaries. For example, in the SME lending market, there has been a long-term trend of challenger and specialist banks acquiring market share from the five largest UK banking groups (as to which, please refer to section 3.3.1 of this Part V). As a result of this trend, the Group has been able to develop an established position, and right to win, in the specialised sub-sectors of the UK lending market in which it operates, which tend to be unsuited to the more commoditised approach typical of the large high street banking model.

Technological change also presents strategic challenges and opportunities for UK banks. The rate of technological change in the UK banking market has accelerated considerably in the last decade, with new and developing technologies such as AI (please see further section 2.2.6 of this Part V) and digital and mobile banking transforming the way in which customers are able to borrow and save. UK banks have historically operated with older and more complex technology infrastructures. Although many UK banks are investing heavily in their technology offerings, the Directors believe that considerable time and money is required to bring legacy technology offerings into line with modern customer expectations and thereafter to keep pace with new developments. This presents a strategic opportunity for lenders, such as the Group, which already operate modern technology infrastructures which are built to support scalability and adaptability to evolving customer needs and preferences.

Other trends in the UK banking market, including tighter credit conditions for SMEs, increased political support for specialist lenders, and the growth of digital banking (see further below), including increased adoption and investment in AI capabilities, have created an attractive market environment for lenders, such as the Group, which have specialist lending capabilities and target lending segments that have historically been poorly served by large high street banks.

2.2.2 Fluctuating interest rate environment

In the last ten years, the UK has experienced a fluctuating interest rate environment. From 2015 to December 2021, the Bank Rate oscillated between a low of 0.25 per cent. to a high of 0.75 per cent., falling to 0.1 per cent. in March 2020 (where it remained until December 2021). From December 2021 to August 2023, the Bank Rate increased sharply from 0.1 per cent. to 5.25 per cent., before falling gradually from July 2024 (to the current rate of 4.0 per cent.). The Group has been able to deliver strong loan book growth and consistent returns across this interest rate cycle.

2.2.3 Regulatory change

The UK banking sector remains highly regulated, with the focus of such regulation falling particularly heavily upon the larger participants in the market (for instance with respect to the growing divergence in prudential requirements between larger banks and other firms, such as Shawbrook Bank, through the more onerous MREL requirements which apply to the largest banking groups, or through the introduction of a less-onerous prudential regime for small domestic deposit takers). In addition, whilst certain relatively recent regulatory initiatives, such as the Consumer Duty, apply equally to all market participants, the Directors believe that large high street banks have incurred and will continue to incur substantial costs in ensuring compliance with increased regulatory expectations regarding conduct and good outcomes for customers, in a way which has limited their ability to benefit from the same scale advantages as other sectors.

The introduction of a statutory competitiveness objective for both the FCA and PRA in 2023 is indicative of a wider regulatory intention to develop the UK regulatory regime in a way which encourages challengers to larger, more established market participants, and many recent and under-development regulatory reforms have been expressly designed to align with this competitiveness objective. More broadly, the UK Government has identified the financial services sector as one of eight key growth-driving sectors. On 15 July 2025, the UK Government launched a new Financial Services Growth and Competitiveness Strategy which is intended to drive future UK Government policies and legislative change designed to ensure that the UK's financial services regulatory environment is proportionate, predictable and internationally competitive. The UK Government has confirmed that it is taking forward legislative interventions to make the UK the location of choice for financial services firms to innovate and grow their businesses, including by shortening the statutory deadlines for the PRA and FCA to determine regulatory applications, stripping away duplicative processes to enable the PRA and FCA to become more agile and responsive, and reforming the FOS and changes to the MREL requirements applicable to UK banks to remove barriers to expansion. Increased MREL requirement thresholds provide the Group with a longer runway of growth prior to being subject to such requirements.

Whilst recent legislative interventions have generally been well received by market participants, the UK regulatory regime presents barriers to new entrants into the market, therefore entrenching the position of existing participants, such as the Group. Such barriers to entry and regulatory requirements have contributed to an increase in consolidation within the UK banking sector.

2.2.4 Consolidation

In recent years, there has been significant consolidation in the UK banking sector, including as a result of the completion of Barclays' acquisition of Tesco Bank in November 2024, completion of Nationwide's acquisition of Virgin Money in October 2024, completion of Coventry Building Society's acquisition of the Co-operative Bank in January 2025, the acquisition by NatWest of the retail banking assets and liabilities of Sainsbury's Bank (which was completed on 1 May 2025) and the ongoing acquisition by Santander of TSB Banking Group from Banco de Sabadell. This trend has been attributed to several factors, including the desire for UK banks to achieve increased scale, diversification, product capability and profitability, as well as to address the changing regulatory landscape. Acquisitions have also been seen as a means of achieving UK banks' strategic objectives more quickly than would otherwise be possible via organic growth – including by increasing the scale of their existing lending and savings propositions and by expanding into new market segments.

The Group has itself participated in this trend using a disciplined M&A strategy, for example through its acquisitions of the JBR Group, BML and TML and, most recently, ThinCats. The Group is well positioned to participate in further consolidation going forward, with a demonstrable track record in value accretive M&A and a proven ability to identify, acquire and supercharge lending platforms. The Group has a professional in-house corporate development team that is constantly tracking the market to find attractive opportunities that will further complement the Group's existing business lines and product capabilities.

2.2.5 Professionalisation of the buy-to-let market and landlord demand for diversification

The UK buy-to-let market has continued to evolve, with recent years seeing a clear trend towards increasing professionalisation. This shift has been characterised by growth in lending to portfolio landlords and borrowers operating through limited company structures. Lending to portfolio landlords, defined by the PRA as those with four or more mortgaged rental properties, stood at approximately £3.1 billion in the first three months of 2025, an increase of 41.3 per cent. compared to the same period in the previous year.⁵² Lending to non-portfolio landlords, those with between one and three mortgaged properties, totalled £7.4 billion, representing a 49.2 per cent. increase over the same period.⁵³ Similarly, in the first three months of 2025, buy-to-let lending to limited companies reached approximately £2.3 billion, up 96.9 per cent. compared to the same quarter in the previous year.⁵⁴

The Group is well-positioned to exploit this trend through its dual-brand approach to buy-to-let lending, which enables it to serve professional landlords with a diverse range of borrowing needs according to the size, value and complexity of their property portfolios. The Group's Shawbrook-branded buy-to-let proposition is particularly well suited to serving larger scale or full-time professional landlords which have more complex portfolios and more sophisticated borrowing needs, where specialist underwriting and tailored solutions are required. To complement this, TML supports professional landlords who typically have less complex property portfolios, often borrowing through limited company structures. TML's proposition is designed for landlords who may be earlier in their investment journey but who demonstrate a professional mindset and long-term strategy. This dual brand model enables the Group to address a wide spectrum of professional landlord needs, allowing for differentiated pricing, proposition design and distribution strategy across segments.

The Group has also observed increasing demand from landlords for loans to facilitate the acquisition of houses in multiple occupation (HMOs) and multi-unit freehold blocks (MUFBs). Such assets typically offer higher rental yields, as well as a regular turnover of tenants which allows landlords to keep rental prices in line with market rates. HMOs and MUFBs are generally viewed as being more complex from a lender's perspective and therefore require a more tailored, specialist approach to underwriting. The Group is well positioned to exploit this trend through its specialist underwriting capabilities, especially when compared to larger banks that take a more commoditised approach to buy-to-let lending.

The Group estimates that the commercial buy-to-let market will grow at a faster rate than both the overall buy-to-let segment and overall mortgage market, with the trends outlined above benefitting the market segments which the Group operates in.

⁵² UK Finance, BTL Mortgage Market Update Q1 2025.

⁵³ UK Finance, BTL Mortgage Market Update Q1 2025.

⁵⁴ UK Finance, BTL Mortgage Market Update Q1 2025.

2.2.6 Adoption of, and investment in, artificial intelligence capabilities across the UK financial services sector

There has been significant growth in the adoption of, and investment in, artificial intelligence (“AI”) by firms across the UK financial services sector. The results of a survey jointly published by the Bank of England and the FCA⁵⁵ in November 2024 indicate that over 75 per cent. of UK banks and over 75 per cent. of UK non-bank lenders are either already using AI in their businesses or plan to do so in the next three years across a range of use cases, including the optimisation of internal processes, cyber security and fraud detection, client and transaction profiling, customer support (such as AI-enabled chatbots) and financial crime controls.

UK financial services firms perceive a number of benefits from greater adoption of AI capabilities, including the opportunity to harness greater customer insights, deliver a better customer experience, improve productivity and to obtain a competitive advantage.⁵⁶ Indeed, in 2024, Accenture estimated that banks are likely to benefit from a greater potential boost in productivity as a result of the adoption of generative AI than any other industry.⁵⁷ The continued adoption by, and investment in, AI by financial services firms, including participants in the UK lending and savings market, is expected to continue as firms continue to pursue those and other benefits.

The Group has transitioned key aspects of its banking technology from legacy on-premises systems, to modern, modular and API-driven cloud infrastructure. This provides a robust foundation to harness the potential of AI and develop solutions that enhance productivity, efficiency and risk management. The Group combines human judgements with embedded AI capabilities with the aim of delivering efficiency gains and building sustainable long-term growth. The Group has deployed or enables access to a suite of Group-wide AI tools (for example, Microsoft Copilot and Chat GPT), as well as team and role specific AI tools. The Group has already observed significant benefits associated with its use of AI, including a 2-3 hour per week time saving per Microsoft Copilot user, a reduction in the time taken for the Group’s quality assurance staff to review customer cases by two thirds and reduction in the time required for the Group’s staff to review property valuation reports from one hour to approximately one minute.

The Group is also harnessing AI agents to differentiate its interactions with customers at key stages of the customer lifecycle, with a colleague assistant for the Group’s underwriting teams having already gone live. The Group has AI agents at the proof-of-concept stage to assist with reviewing new loan applications and to assist with customer messaging during servicing and is also exploring a heads of term agent to assist with customer due diligence and a watchlist agent to assist with customer monitoring. The Group expects its increasing use of AI agents to deliver a number of benefits, including increased front-office capacity, credit quality improvements, improved pipeline conversion and enhanced financial crime monitoring and detection.

⁵⁵ Bank of England, Artificial intelligence in UK financial services (2024)

⁵⁶ Financial Institutions Sentiment Survey 2024

⁵⁷ Accenture, Banking on AI | Banking Top 10 Trends for 2024

2.2.7 Evolving borrower expectations

Customers across the UK lending and savings market increasingly demand speed, efficiency, and flexibility in their borrowing experiences. Whether individuals or businesses, recent technological advancements have reshaped customer expectations, with features once seen as key differentiators now viewed as basic industry standards. Although there are nuances across different sub-segments of the broader lending and savings market, in the Group's experience, these expectations include:

- Faster credit decisions and streamlined onboarding, delivering a smooth and efficient end-to-end borrowing journey.
- Digitally enabled servicing, with self-service portals that allow customers to manage their accounts at their convenience, while still providing access to personal support when needed.
- Flexible loan structures that adapt to business cycles or changes in personal circumstances over the life of the loan.
- Smarter use of data, including real-time valuations and automated due diligence, to reduce friction and enhance the accuracy and speed of credit assessments.
- A relationship-led approach, where technology augments - rather than replaces - the insight and expertise of experienced lenders.

Due to the highly competitive landscape, lenders that fail to meet these expectations risk losing customers to more agile competitors. The Directors believe that the Group's technology capabilities position the Group well to satisfy evolving borrower expectations in the markets in which the Group operates. For example, the Group's Real Estate franchise deploys its proprietary Lending Hub platform to provide brokers with fast and convenient credit decisions, reducing the time to formal offer by up to 46 per cent.⁵⁸ Similarly, in its Consumer Finance proposition, the Group leverages a fully digital and scalable multi-channel distribution model to distribute its unsecured personal loans to end customers. This model allows the Group to provide automated quotations to end customers in as little as four seconds from the time a quotation is requested by the customer.

⁵⁸ As at July 2025, based on average days from agreement in principle to formal mortgage offer, comparing digital buy-to-let cases with flow buy-to-let cases processed via the Group's Lending Hub platform.

3. Key sectors of the UK lending and savings market that the Group operates in

3.1 Overview

The Group's strategy is to operate in markets (and niches within those markets) which have historically been underserved, where its differentiated approach, leading digital, technology and data capabilities, specialist underwriting expertise and longstanding intermediary relationships can be leveraged to deliver attractive risk-adjusted returns. The Group's Commercial franchise is active in the SME lending market and the real estate lending market in the UK, whereas its Retail franchise operates in the retail owner-occupied and buy-to-let mortgage markets, consumer finance market and savings market in the UK.

3.2 The Group's TAM

The Group's business benefits from a large and growing TAM. The size of the total UK lending market at the end of 2024 is estimated to have been approximately £2.5 trillion in loan stock, while the size of the total UK retail deposit market is estimated to have been approximately £1.8 trillion in deposits.⁵⁹ The Group estimates that the TAM of its overall lending proposition was approximately £296 billion in loan stock while the TAM of its savings proposition was approximately £460 billion in deposits, in each case as at 31 December 2024.⁶⁰ Accordingly, the estimated TAMs of the Group's lending and savings propositions represent approximately 11.0 per cent. and 25.6 per cent. of the estimated total UK lending market and UK retail savings market, respectively, reflecting the Group's deliberate approach to selecting market segments which it believes have the potential to deliver attractive risk-adjusted returns.

The table below provides a breakdown of the Group's estimated TAM as at 31 December 2024.

Market segment	Estimated TAM (loan stock, £bn)
Specialty finance.....	10.3
Development finance	13.8
Corporate leverage	19.3
Financial sponsors	8.9
Asset-based lending (ABL).....	5.9
Digital SME.....	31.5
Total SME TAM.....	89.7
Buy-to-let	32.5
Bridging	4.9
Commercial investment.....	63.5
Total Real Estate TAM	100.9
Buy-to-let	32.5
Owner-occupied.....	29.2
Motor finance	24.0
Unsecured personal loans.....	19.7
Total Retail lending TAM	105.4
Total TAM	296.0

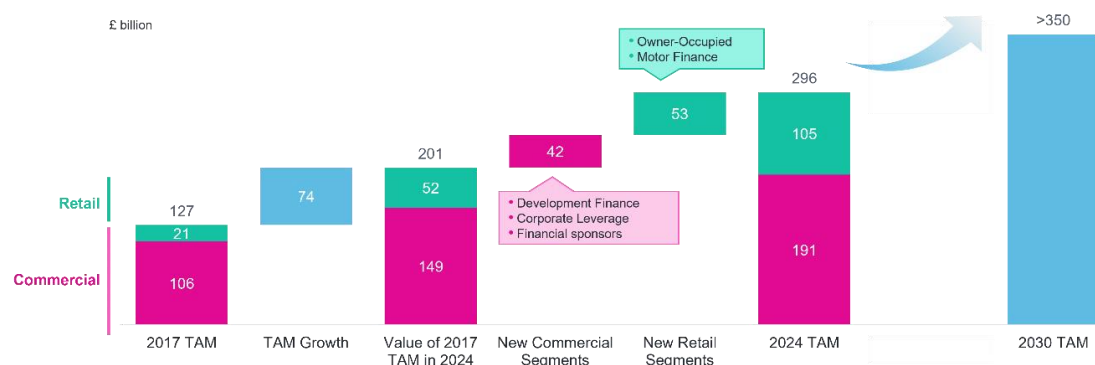
⁵⁹ Group information (including data based on estimates from leading consulting firm).

⁶⁰ All estimates contained in this document with respect to the Group's TAM are based on Group information (including data based on estimates from leading consulting firm).

The Group estimates that from 2017 to 2024, the TAM of its overall lending proposition grew at a CAGR of approximately 13.0 per cent. from £127 billion in loan stock in 2017 to its 2024 TAM of £296 billion in loan stock. Growth in the Group's TAM has historically been achieved through a mix of organic market growth, as well as the Group's entry into attractive new verticals such as development finance, corporate leverage and lending to financial sponsors in its Commercial franchise, and owner-occupied mortgages and motor finance in its Retail franchise.

The Group expects its overall lending TAM to grow to over £350 billion in loan stock and to approximately £111 billion in new lending flows by 31 December 2030, outpacing expected UK gross domestic product growth and UK banking market growth during that period. Across the Group's lending markets, the Group estimates that it has an average market share of its TAM of approximately 5 per cent. of loan stock and 7 per cent. of new lending flows. If the Group is able to maintain a higher share of new lending flows than its current share of existing loan stock in a given market, its share of the loan stock in that market should naturally grow organically as it wins a greater share of new originations and existing loans are repaid.

The historical and expected future evolution of the Group's lending TAM is depicted in the chart below.



3.3 The Group's markets – Commercial franchise

3.3.1 SME lending market

The SME lending market comprises the provision of secured and unsecured loans to SMEs. The overall market for lending to UK SMEs is large and growing. In 2024, UK Government data shows that there were approximately 5.5 million SMEs in the UK, representing over 99 per cent. of UK private sector businesses and, although the estimated number of UK SMEs decreased by approximately 1 per cent. from 2023 to 2024, overall, the estimated number of UK SMEs has grown by approximately 23 per cent. from 2010 to 2024.⁶¹ Of the UK SMEs recently surveyed by BVA BDRC, it is estimated that approximately 45 per cent. utilised some form of external finance in 2024 and the number of UK SMEs which are willing to borrow to grow has increased in recent years from 31 per cent. in 2022 to 38 per cent. in 2024.⁶²

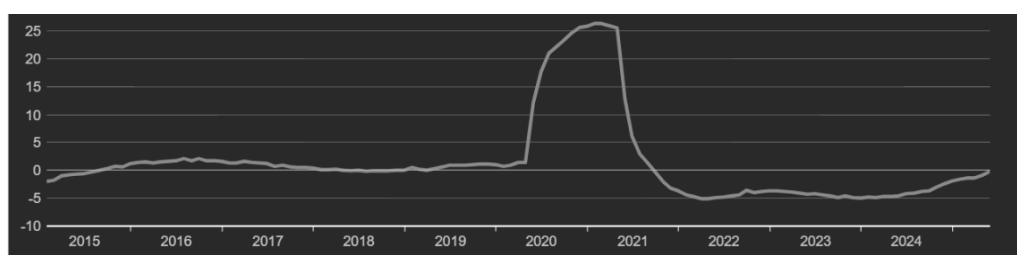
Prior to the global financial crisis, almost all SME lending was originated by a handful of large high street banking groups. However, since then, the SME lending landscape has changed significantly and challenger banks and lenders with specialist capabilities (such as the Group) have grown in number and importance, often serving segments of the SME lending market which have historically been underserved by large high street banks.

⁶¹ Business population estimates for the UK and regions 2024: statistical release - GOV.UK

⁶² <https://www.bva-bdrc.com/wp-content/uploads/2025/03/SME-FM-FULL-REPORT.pdf>

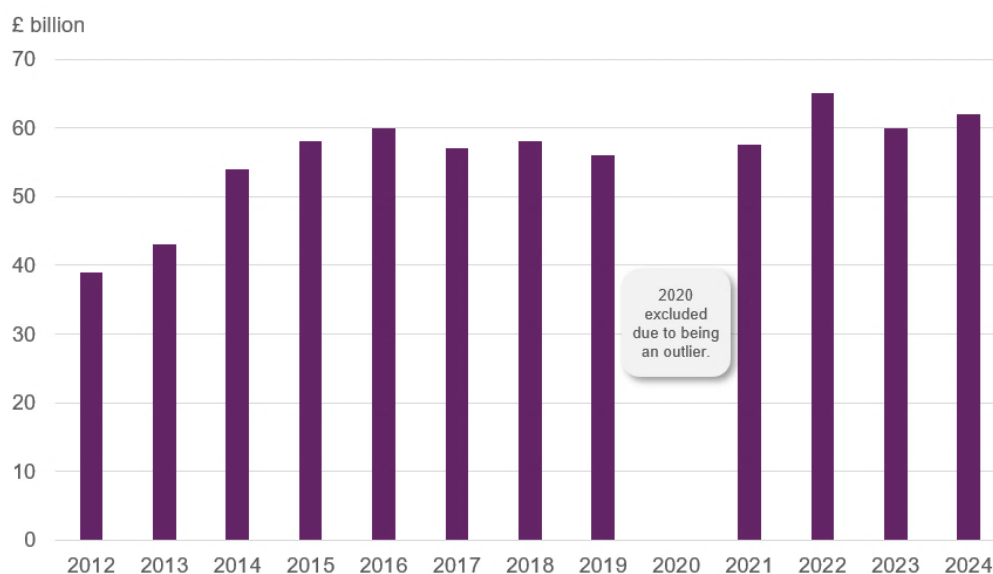
SME lending activity surged to a record level in 2020, with gross bank lending (excluding overdrafts) to SMEs reaching approximately £104.9 billion, representing an 84 per cent. increase when compared to the previous year.⁶³ The surge in lending to SMEs in 2020 was a one-off effect attributable to a rapid uptake by UK SMEs of government-backed support during the COVID-19 pandemic, and Bank of England data shows that SME lending growth contracted sharply to slightly below pre-pandemic levels in 2021 as lockdowns began to ease and government-backed borrowing schemes were withdrawn.

Monthly annual growth of lending to UK SMEs



Source: Bank of England, Monthly 12-month growth rate of monetary financial institutions' sterling and all foreign currency loans to small and medium-sized enterprises (in percent) not seasonally adjusted.

Annual gross bank lending to SMEs (nominal)



Source: Chart reproduced from British Business Bank, Small Business Finance Markets 2024/2025 (Bank of England and British Business Bank calculations), with amendments to exclude annual gross bank lending to SMEs in 2020.

⁶³ British Business Bank, Small Business Finance Markets 2023/2024

Over the longer term, annual gross bank lending to SMEs has increased from approximately £39 billion in 2012 to approximately £62 billion in 2024, representing a CAGR of approximately 3.9 per cent. Since 2021, the annual growth rate in lending to UK SMEs has gradually increased and by the start of the second quarter of 2025 had broadly recovered to pre-pandemic levels. Similarly, the nominal value of gross bank lending to UK SMEs grew from 2021 to 2024 to above pre-pandemic levels. From 2023 to 2024, the nominal value of gross bank lending to UK SMEs grew by 5 per cent. to £62.1 billion – which was the third highest since records began in 2012 – with the upwards trajectory continuing throughout 2024.⁶⁴

As the SME lending market has grown, there has also been a longer-term trend which has seen challenger and specialist lenders' share of that market increase significantly when compared with the market share commanded by larger banks. From 2012 to 2024, challenger and specialist banks' share of total gross bank lending to smaller businesses increased from a little under 40 per cent. to approximately 60 per cent. (the highest on record in nominal terms), with a corresponding decrease in the market share of the five largest banking groups from a little over 60 per cent. to approximately 40 per cent.⁶⁵ This represents a positive trend for lenders with specialist lending capabilities, such as the Group, whose businesses have a focus on lending to SME customers, and the ability to provide bespoke structuring and relationship-led service to customers who the Directors believe are often underserved by larger banks.

Share of total gross bank lending to smaller businesses

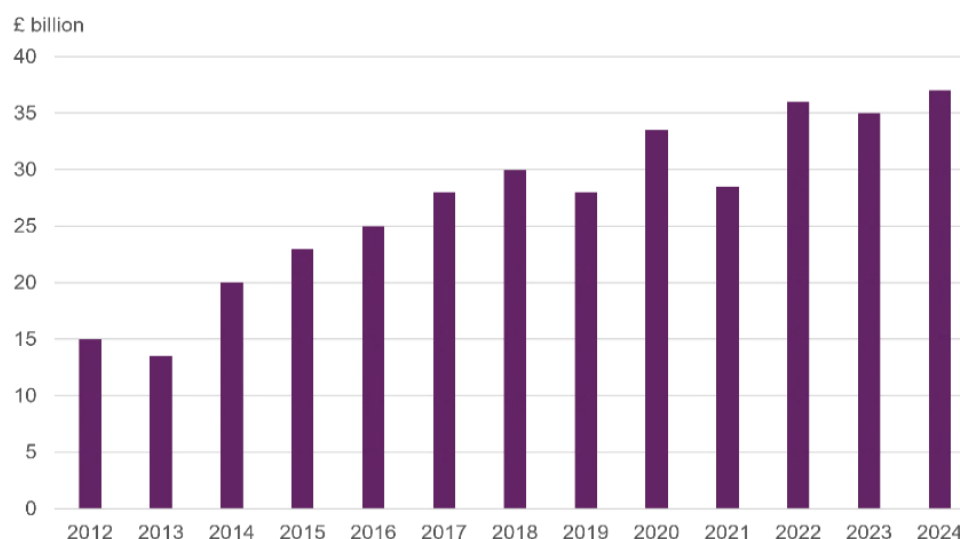


Source: British Business Bank, Small Business Finance Markets 2024/2025 (Bank of England and British Business Bank calculations).

⁶⁴ All SME market data in this paragraph is sourced from British Business Bank, Small Business Finance Markets 2024/2025

⁶⁵ British Business Bank, Small Business Finance Markets 2024/2025

Annual gross lending to SMEs by challenger and specialist banks (nominal)



Source: Chart reproduced from British Business Bank, Small Business Finance Markets 2024/2025 (Bank of England and British Business Bank calculations).

The Group estimates that the TAM of its SME proposition grew to approximately £89.7 billion⁶⁶ in loan stock in 2024, up approximately 2.3 per cent. from approximately £87.7 billion in 2023. The Group estimates that the TAM of its SME business will grow at a CAGR of approximately 3.7 per cent. over the period 2024-2029, in excess of estimated growth in total UK SME loan stock of 1.2 – 1.5 per cent. over the same period, reflecting the Group's strategy to target high growth market segments. A brief summary of the key sub-segments of the SME lending market that the Group operates in is set out in the paragraphs below.

(A) Speciality finance

This market segment is concerned with providing finance to specialist non-bank lenders seeking capital to support their own lending activities and specialist debt and equity funds seeking debt to optimise their returns. Non-bank lenders, who are the borrowers in this market segment, lend into several sectors across the UK economy, typically in areas considered to be underserved by mainstream banks. Within this market segment, the Group provides finance to lenders operating across the real estate (bridging and development), SME and consumer sectors.

Non-bank lenders have grown to play an increasingly important role in UK corporate lending over the past two decades, and now account for an estimated 50 per cent. of the stock of UK corporate lending.⁶⁷ This growth, and the diversity of non-bank lenders, has generated a substantial market for banks to provide speciality finance for. The Group has a mature offering in this market and has seen growth over a sustained period through both the acquisition of new customers and retained relationships with borrowers as they grow and mature. Indeed, from 31 December 2022 to 30 June 2025, the Group's speciality finance loan book grew at a CAGR of 9 per cent.

⁶⁶ Taking into account the estimated size of each of the SME lending market segments outlined below and the estimated size of the Group's Digital SME lending market of approximately £31.5 billion.

⁶⁷ <https://www.bankofengland.co.uk/speech/2024/march/nick-butt-keynote-speech-at-isda-virtual-conference-procyclicality-and-margin-practices>

Within this market, the Group's proposition typically targets non-bank lenders with loan books of between £10 million and £150 million and specialist funds with a net asset value of up to £500 million. The Group estimates that, as at 31 December 2024, the size of the Group's total addressable speciality finance market was approximately £10.3 billion in loan stock, and that it had a share of that TAM of approximately 6.9 per cent., a 1.1 per cent. increase when compared with 2023. Although, based on the industry data available to the Group, the size of the Group's total addressable speciality finance market decreased by 8 per cent. between 31 December 2023 and 31 December 2024, the Group believes that this is at least in part attributable to a change in the way such data was compiled by the relevant industry bodies.⁶⁸ The Group's speciality finance loan book was £0.7 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its speciality finance business of £77.5 million.

(B) Development finance

The development finance market segment is concerned with lending to professional property developers to fund the development of residential, semi-commercial and commercial property, either through refurbishment or ground-up new build, as well as conversion of commercial properties to residential status.

Within this market segment, the Group's proposition typically targets development schemes with a gross development value of up to £50 million, with loan values typically being between £1 million and £30 million. The Group estimates that, as at 31 December 2024, the size of the Group's total addressable development finance market was approximately £13.8 billion in loan stock (a decrease of 8.6 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 5.1 per cent., a 1.0 per cent. increase when compared with 2023. The Group's development finance loan book was £0.7 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its development finance business of £77.9 million. From 31 December 2022 to 30 June 2025, the Group's development finance loan book grew at a CAGR of 15 per cent.

(C) Corporate leverage

The corporate leverage market provides leveraged finance to UK businesses across a wide range of sectors, typically to facilitate strategic activity (such as change of ownership, acquisitions, investment for growth). Lenders in this market provide finance based on the borrower's expected future cashflows, to enable them to invest and grow. The Group serves established UK SMEs typically seeking finance of up to £35 million, and the majority of its lending in this market is to owner-managed businesses.

Within this segment the Group also has a sector specialism, supporting healthcare providers including care homes, NHS trusts and pharmacies. This reflects a sector which typically has nuanced structuring needs and a specialist professional community (including introducers, advisors etc.).

⁶⁸ The Group has estimated its TAM in this market segment using data compiled by the Bank of England which shows lending to non-bank lenders. Between March 2024 and April 2024, the Bank of England began to collect the underlying data in the dataset directly, having previously used data compiled by the Office for National Statistics. This saw the total value of reported lending in the Bank of England dataset reduce by £4.1 billion between March 2024 and April 2024, which is significantly in excess of average monthly changes in reported lending both before and after the methodology change. The Group therefore believes that at least some of the reduction in reported lending in the 2024 dataset – and therefore the size of the Group's estimated TAM in this market segment – when compared with 2023 is caused by the methodology change and not an actual reduction in lending in this market segment.

The Group estimates that, as at 31 December 2024, the size of the Group's total addressable corporate leverage market was approximately £19.3 billion in loan stock (an increase of 2.1 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 3.7 per cent, a 0.6 per cent. increase when compared with 2023. The Group's corporate leverage loan book was £0.6 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its corporate leverage business of £68.5 million. From 31 December 2022 to 30 June 2025, the Group's corporate leverage loan book grew at a CAGR of 7 per cent.

(D) Financial sponsors

In the financial sponsors lending market, lenders provide finance to private equity and venture capital sponsors and their respective portfolio companies to facilitate key events in their businesses such as, principally, change of ownership transactions and M&A. Growth in the size of this market tends to be linked to the level of private equity and venture capital activity, in terms of transaction volumes and value, in the UK. Data published by KPMG suggests that, following a decline in both total deal volume and value from 2021 to 2023, private equity activity in the UK showed signs of recovery in 2024 with deal volumes increasing by 4.4 per cent. (to 1,699 transactions) and total value increasing by 12 per cent. (to £158.9 billion), in each case when compared with 2023.⁶⁹ In H1 2025, despite geopolitical and trade uncertainties, there were 808 private equity transactions in the UK with a total deal value of £61.7 billion.⁷⁰

Within this market, the Group focuses on lending to smaller private equity sponsors, typically investing in businesses with an EBITDA of between £3 million and £10 million, as well as high growth businesses with strong contracted revenue profiles. In recent years, the Group has seen an increase in the time that its private equity customers hold their investments, leading to an increase in extensions and refinancing transactions. The Group's financial sponsors proposition typically seeks to provide finance for transactions with a value of between £3 million and £25 million.

The Group estimates that, as at 31 December 2024, the size of the Group's total addressable financial sponsors market was approximately £8.9 billion in loan stock (an increase of 2.3 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 6.4 per cent., a 2.0 per cent. increase when compared with 2023. The Group's financial sponsors loan book was £0.6 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its financial sponsors and sponsor-backed SME business of £62.9 million. From 31 December 2022 to 30 June 2025, the Group's financial sponsors loan book grew at a CAGR of 31 per cent.

(E) Asset-based lending (ABL)

Asset-based lending (sometimes referred to as invoice finance and asset-based lending or 'IF/ABL') involves loans advanced against a range of business assets, including accounts receivables, stock and inventory, plant and machinery, real estate and intellectual property. ABL products are designed to be used by businesses to unlock working capital, enable growth and support businesses throughout the economic cycle. Analysis conducted by the British Business Bank shows that the UK market for ABL lending to SMEs is significant.

⁶⁹ <https://kpmg.com/uk/en/home/insights/2025/01/total-uk-pe-activity.html>

⁷⁰ <https://assets.kpmg.com/content/dam/kpmgsites/uk/pdf/2025/07/pulse-of-private-equity-q2.pdf>

Following a significant contraction in total ABL advances to SMEs in 2020 (which can be attributed to changes in borrower behaviours in light of the COVID-19 pandemic and the availability of alternative funding through UK Government-backed schemes), the stock of total advances under ABL facilities has gradually increased and, by the end of 2024, stood at £21.2 billion (up 4.4 per cent. on the previous year and just £0.5 billion less than the position at the end of 2019).⁷¹ The value of customer sales supported by ABL products has also made a strong post-pandemic recovery, reaching £313 billion in 2024, just below a record-breaking year in 2023.⁷²

The ABL industry experienced a significant fall in SME customer numbers in 2020 and 2021, followed by further erosion of the number of SME customers in subsequent years. UK Finance data suggests that the decline has been most significant among smaller SMEs, while the number of larger SMEs utilising ABL facilities has remained relatively stable. This has resulted in a gradual increase in the value of average ABL advances, including an increase from an average advance of £595,000 at the end of 2023 to an average advance of £650,000 in the last quarter of 2024.⁷³

Within the ABL market, the Group's proposition principally targets SMEs with a turnover of between £5 million and £100 million, with loan values typically being between £5 million and £50 million. The Group estimates that, as at 31 December 2024, the size of the Group's total addressable ABL market was approximately £5.9 billion in loan stock (an increase of 5.4 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 3.8 per cent., a 0.9 per cent. decrease when compared with 2023. The Group's asset-based lending loan book was £0.2 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its asset-based lending business of £31.3 million. From 31 December 2022 to 30 June 2025, the Group's ABL loan book contracted at a CAGR of 13 per cent.

Participants in the UK asset-based lending market include large UK and international banks, medium-size banks, specialist and challenger banks, as well as non-bank specialist lenders.

3.3.2 Real estate lending market

In the real estate lending market, loans advanced are secured against residential, commercial and semi-commercial properties. Within this market, the Group participates predominantly in the buy-to-let sub-sector, focusing on lending secured on residential investment assets, although it also provides finance for commercial properties and short-term property transactions. In the broader commercial mortgages market, underlying assets typically include retail units, offices, industrial premises, and both commercial and residential investment properties.

The Group estimates that the TAM of its Real Estate proposition grew to approximately £100.9 billion in loan stock in 2024, up approximately 7.6 per cent. from approximately £93.8 billion in 2023. The Group estimates that this market will grow at a CAGR of approximately 2.3 per cent. over the period 2024-2029, in excess of estimated growth in UK real estate loan stock of 1.7 – 2.0 per cent. over the same period, reflecting the Group's strategy to target high growth market segments.

⁷¹ UK Finance, Business Finance Review 2024 Q4

⁷² UK Finance, Business Finance Review 2024 Q4

⁷³ UK Finance, Business Finance Review 2024 Q4

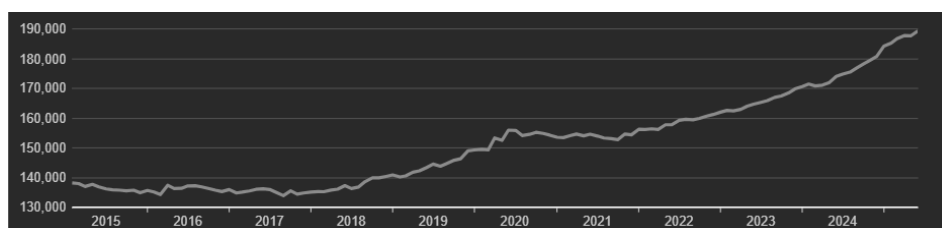
(A) Commercial investment mortgage sub-sector

The commercial investment mortgage sub-sector consists of mortgages for commercial investment in, and occupation of, commercial and semi-commercial property, spanning a wide range of essential, everyday use premises such as retail premises, offices and industrial units. Customers for the Group's commercial mortgages offering are predominantly property investors whose core business is property, who constitute a large proportion of the customers in the market. Mortgages against commercial property tend to demand a bespoke approach to underwriting and specialist lender knowledge due to the requirements for lenders to understand a variety of collateral types and rental covenants across business lines.

The commercial real estate sector has experienced challenges in recent years, including as a result of the higher interest rate environment and downwards pressure on property valuations.⁷⁴ These challenges correlated with a contraction in total annual investment in UK commercial property from approximately £60 billion in 2022 to approximately £45 billion in 2023.⁷⁵ However, there are some signs that a recovery is underway, with total annual investment in UK commercial property increasing to approximately £54 billion in 2024.⁷⁶ There are also signs that the recovery will continue in 2025, with 88 per cent. of European commercial property investors surveyed by CBRE in November 2024 indicating that they expect to sell at least as much, if not more, real estate in 2025.⁷⁷ Such investors have also indicated that the UK is expected to be the European market which generates the highest total property returns in 2025.⁷⁸

In any event, despite the challenges experienced by the commercial real estate sector, the value of outstanding loans advanced by UK resident financial institutions to companies engaged in buying, selling and renting real estate has continued to grow year on year since 2017 (ignoring a period of stagnation during the COVID-19 pandemic) and today there is a significant market for such lending in the UK.

Monthly amounts outstanding of UK resident monetary financial institutions' sterling and all foreign currency net lending to companies undertaking the buying, selling and renting of real estate



Source: Bank of England, Bankstats tables (RPMTBSY)

⁷⁴ Financing headwinds for commercial real estate | Grant Thornton

⁷⁵ CBRE, UK Real Estate Investment Volumes Q2 2025

⁷⁶ CBRE, UK Real Estate Investment Volumes Q2 2025

⁷⁷ CBRE, Will UK real estate investment activity increase further in 2025?

⁷⁸ CBRE, European Investor Intentions Survey 2025

The Group estimates that, as at 31 December 2024, the size of the Group's TAM in the commercial investment segment was approximately £63.5 billion in loan stock (an increase of 8.0 per cent. when compared to 31 December 2023), and that it had a share of that TAM of approximately 2.9 per cent, a 0.1 per cent. increase when compared to 2023. From 31 December 2022 to 30 June 2025, the Group's commercial mortgage loan book grew at a CAGR of 20 per cent.

(B) 'Buy-to-let' mortgage sub-sector

The buy-to-let sub-sector focuses on the provision of mortgages advanced against property that is, or is intended to be, let to residential tenants. Rates on buy-to-let mortgages tend to be higher than typical residential mortgages and product arrangement fees also tend to be higher, in part reflecting the greater complexity of underwriting loans of this type. Within the buy-to-let market, the Group's Real Estate proposition serves professional property investors whose core business is property, often already operating at scale with high-value portfolios. Buy-to-let customers served by the Group's Real Estate proposition are typically full-time landlords with significant portfolios, often requiring bespoke structuring, larger loan sizes, and a lending partner who understands their complex needs.

The number and value of new buy-to-let mortgage loans in the UK contracted from 2022 to 2023, broadly in line with rising interest rates. However, as interest rates on buy-to-let loans began to decrease from the end of 2023, there have been signs of a recovery in the buy-to-let mortgage market in terms of both the volume and value of new buy-to-let loans being advanced by lenders. In Q1 2025, there were 58,347 new buy-to-let loans advanced in the UK, worth approximately £10.5 billion (representing an increase of 38.6 per cent. by number and 46.8 per cent. by value when compared with Q1 2024).⁷⁹

The value of new buy-to-let lending to SMEs and individuals has generally been trending upwards since the start of 2023, with recent data from UK Finance indicating that new buy-to-let lending to SME customers was approximately £2.3 billion in Q1 2025 (up 96.9 per cent. when compared to Q1 2024) and to individual landlords was £8.1 billion in Q1 2025 (up 36.9 per cent. when compared to Q1 2024).⁸⁰

Private rental prices have increased in recent years (and remain high) due to several key factors, including the undersupply of rental properties in the market and landlords passing on increased costs to tenants associated with, among other things, higher buy-to-let interest rates and increased tax and compliance costs when compared with previous periods. Buy-to-let rental yields across the UK generally increased from the start of 2023 to the end of Q1 2025.

The Group estimates that, as at 31 December 2024, the size of the Group's TAM across the buy-to-let segment (including both commercial and retail buy-to-let lending) was approximately £65 billion in loan stock (an increase of 5.0 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 10.0 per cent., a 1.1 per cent. increase when compared with 2023. Participants in the buy-to-let mortgages sub-sector include large high street banks, building societies and lenders with specialist lending capabilities, such as the Group.

⁷⁹ UK Finance, Buy-to-let Mortgage Market Update Q1 2025

⁸⁰ UK Finance, Buy-to-let Mortgage Market Update Q1 2025

(C) Short-term or bridging loans

The Group has also developed lending products in the short-term secured property loans sub-sector, primarily targeting experienced property professionals by providing a more personalised offering to address the more specialised needs of such customers.

The Directors believe that this higher end of the short-term property loans market has typically been underserved by large high street banks. The Directors further believe that due to the nature of short-term loans, customers typically consider speed of underwriting and surety of funding as important criteria for selecting a lending provider.

The Group estimates that, as at 31 December 2024, the size of the Group's TAM in the bridging loans segment was approximately £4.9 billion in loan stock (an increase of 19.5 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 4.2 per cent., which was the same as in 2023.

3.4 The Group's markets – Retail franchise

The Group's Retail franchise offers a range of lending products, including owner-occupied and buy-to-let mortgages through its Retail Mortgage Brands business unit and motor finance and unsecured personal loans through its Consumer Finance business unit. The Group estimates that the TAM of its Retail lending franchise grew to approximately £105.3 billion in loan stock in 2024, up approximately 4.3 per cent. from approximately £101.0 billion in 2023. The Group estimates that this market will grow at a CAGR of approximately 2.6 per cent. over the period 2024-2029, in excess of estimated growth in UK retail loan stock of 1.9 – 2.2 per cent. over the same period, reflecting the Group's strategy to target high growth market segments.

3.4.1 Retail owner-occupied and buy-to-let mortgage markets

The Group operates in the UK in the owner-occupied and buy-to-let mortgage markets, offering owner-occupied and buy-to-let mortgages to retail customers through its Retail Mortgage Brands business unit, which is operated by its subsidiaries TML and BML.

(A) Owner-occupied mortgages

In the owner-occupied market, lenders provide loans to retail customers to allow them to acquire a property which the customer intends to occupy, or remortgage a property which they already occupy, as their place of residence (with the loan being secured against the borrower's interest in the acquired property).

Higher interest rates and cost-of-living pressures constrained mortgage affordability and drove significant contraction in residential mortgage lending in 2023 when compared with 2022.⁸¹ However, affordability constraints began to ease throughout 2024 as the combined effect of falling UK inflation, rising real wages for UK employees and gradual cuts in mortgage offer rates began to have a positive impact on household budgets.⁸² Improved mortgage affordability in 2024 correlated with an increase in the total value of new lending for home purchases to £135 billion (a year-on-year increase of 11 per cent. compared to 2023), although remortgaging activity remained subdued due to, among other things, affordability constraints limiting options for customers looking to refinance on the open market. UK Finance reports that remortgaging on the open market (where borrowers switch mortgage providers) fell by 10 per cent. to £59 billion in 2024.

⁸¹ <https://www.ukfinance.org.uk/news-and-insight/press-release/increased-activity-in-mortgage-market-anticipated-in-2025>

⁸² Falling inflation - CPIH ANNUAL RATE 00: ALL ITEMS 2015=100 - Office for National Statistics; wage growth - Average weekly earnings in Great Britain - Office for National Statistics; disposable income - United Kingdom Households Disposable Income

The Group estimates that, as at 31 December 2024, the size of the Group's TAM in the owner-occupied mortgages segment was approximately £29.2 billion in loan stock (an increase of 2.8 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 8.1 per cent., a 0.1 per cent. decrease when compared to 2023.

(B) Buy-to-let mortgages

The Group participates in the UK buy-to-let mortgage market via its Shawbrook-branded buy-to-let proposition and, separately, via TML. The Group's Shawbrook-branded buy-to-let proposition is particularly well suited to serving larger scale or full-time professional landlords which have more complex portfolios and more sophisticated borrowing needs, where specialist underwriting and tailored solutions are required. To complement this, TML supports professional landlords who typically have less complex property portfolios, often borrowing through limited company structures. TML's proposition is designed for landlords who may be earlier in their investment journey but who demonstrate a professional mindset and long-term strategy. Such customers need a lender, such as TML, which has specialist lending capabilities and is capable of delivering efficient mortgage solutions in more complex cases (such as lending to limited companies which own the underlying property assets).

For an overview of, and recent trends in, the UK buy-to-let market, please refer to '*Buy-to-let' mortgage sub-sector*' above.

3.4.2 Consumer finance

(A) Motor finance market

Overview

In the UK motor finance market, finance providers lend funds to customers to facilitate the purchase and/or right to use new or used motor vehicles. The principal forms of motor finance loan are hire purchase ("**HP**") and personal contract purchase ("**PCP**") arrangements. Under the terms of HP and PCP loans, ownership of the motor vehicle is retained by the lender during the term of the loan and, once the customer has repaid the loan in full, the customer typically has an option to acquire the vehicle from the lender. Within the UK motor finance market, the Group principally finances the purchase of used vehicles in the luxury high-end vehicle segment through JBR Capital and used vehicles in the specialist mass market segment through a forward flow facility with BMFL. The Group generally does not compete in the new car finance market.

Data produced by the Finance & Leasing Association ("**FLA**") shows that the used car finance segment of the UK motor finance market is substantial. The value of used car lending flows was approximately £21.3 billion in 2024 (2023: £22.0 billion; 2022: £23.5 billion) and the Group estimates that the value of used car loan stock in the UK was approximately £54.3 billion in 2024 (2023: £53.2 billion; 2022: £50.5 billion).⁸³ The growth rate in the number of used cars financed in the UK experienced a decline from February 2022 (coinciding with increases in UK interest rates), reaching a trough in March 2024, although this has since gradually recovered. Recent research conducted by the FLA suggests that the value of used car finance flow in the UK will grow by 6 per cent. in 2025.⁸⁴

⁸³ Group estimates based on FLA lending flow data, assuming that loans originated have a four-year weighted average life.

⁸⁴ Financing & Leasing Association – Motor finance data

The Group's market share growth in the luxury high-end motor vehicle segment of this market has been, and will continue to be, driven by the Group's ability to sustainably scale JBR's funding capacity, enabling it to re-enter the market with momentum. In this segment of the market, the Group believes that clients value service quality, discretion, and flexibility over simply securing the lowest interest rate. JBR is well-positioned to serve this segment, offering fast, asset-backed lending solutions. The Group's strength lies in servicing a diverse client base, including entrepreneurs and high-income professionals, while leveraging deep expertise in underwriting luxury and specialist assets. This capability provides a distinct competitive advantage, one that is difficult for others to replicate, and provides confidence in the Group's ability to continue growing originations, and gaining market share, sustainably.

The Group estimates that, as at 31 December 2024, the size of the Group's TAM in the motor finance segment was approximately £24 billion in loan stock (an increase of 2.1 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 1.8 per cent., being a 1.6 per cent. increase when compared with 2023. The Group's motor finance loan book was £0.5 billion at 31 December 2024 and, in the year ended 31 December 2024, the Group generated gross income from its motor finance business of £17.4 million.

Participants in the UK motor finance market include large banks, specialist lenders, captive finance companies owned by motor vehicle manufacturers and digital-only providers.

Recent UK Supreme Court decision

A recent point of focus in the UK motor finance market has been the impact of the UK Supreme Court's decision in *Wrench*, which concerned the legality of undisclosed or partially disclosed commissions paid by lenders to motor dealers in regulated consumer motor finance transactions. The UK Supreme Court delivered its judgement in *Wrench* on 1 August 2025, which overturned an earlier decision by the Court of Appeal, and concluded that motor dealers do not owe fiduciary duties to customers when introducing them to providers of motor finance. As a result, those claims against the lenders in *Wrench*, which were based on the alleged breach of the motor dealers' fiduciary duty to the relevant customers, failed.

However, the UK Supreme Court upheld the claim in one of the cases (that of Mr Johnson) by finding that the commission arrangement gave rise to an unfair relationship under section 140A of the CCA. In doing so, the UK Supreme Court emphasised that the question of whether a relationship is unfair is highly fact sensitive. It also endorsed a non-exhaustive list of factors proposed by the FCA which will normally be relevant to an assessment of unfairness, which includes: (i) the size of the commission relative to the charge for the credit; (ii) the nature of the commission; (iii) the characteristics of the consumer; (iv) the extent and manner of the disclosure of the commission arrangement; and (v) compliance with the relevant regulatory rules. With respect to Mr Johnson, two key factors influenced the UK Supreme Court's finding of unfairness. These were the size of the commission, which in Mr Johnson's case was some 55 per cent. of the total charge for the credit, and the presence of a concealed right of first refusal enjoyed by the motor finance provider in question with respect to all motor finance business arranged by the motor dealer.

The FCA announced on 3 August 2025 that it will consult on an industry-wide scheme to compensate motor finance customers who were treated unfairly. The FCA stated that it will publish the consultation by early October 2025 and finalise any scheme in time for consumers to start receiving compensation in 2026. The FCA has stated that redress would depend on the factors considered by the Supreme Court in *Wrench* and the interaction between them, and that the consultation will consider how a range of factors in relation to the commission arrangement must be assessed together when deciding on whether the relationship was unfair.

The Group continues to assess its exposure to historical regulated motor finance lending that might be considered unfair based on an assessment of the factors considered in *Wrench*. This ongoing assessment includes all business areas and subsidiaries and considers the likely scope of the FCA redress scheme and the likely redress methodology for eligible customers. Based on its initial conclusions from its ongoing assessment, the Group expects its potential redress liability, following the Supreme Court ruling and considering a potential FCA redress scheme, to be immaterial. This conclusion is based on, among other things: (i) the Group's historically low volumes of regulated motor finance; (ii) management's assessment of distinguishing factors between the Group's motor finance arrangements to the case of Mr Johnson in *Wrench*; and (iii) modelled complaint and uphold rates.

(B) Unsecured consumer loans market

The UK unsecured personal loan market is substantial, with an estimated stock balance of approximately £44 billion and flow of approximately £22 billion in 2024.⁸⁵ Estimates prepared by Mintel indicated that, from 2021 to 2024, the gross unsecured personal loans lending grew by 36.5 per cent.⁸⁶

The dynamics of the unsecured personal loan market are being reshaped by changing customer expectations, particularly around speed, convenience, and flexibility. Modern borrowers increasingly demand seamless, digital-first experiences with instant decisions and minimal friction - trends enabled by advancements in artificial intelligence and open banking, which support real-time credit assessments. These preferences are expected to intensify, as digital channels become the norm for financial management. This shift is supported by recent data prepared by Mintel, which shows that around 73 per cent. of consumers managed their finances via mobile phone in 2024, up significantly from 57 per cent. in 2019.⁸⁷

The Group estimates that, as at 31 December 2024, the size of the Group's TAM in the unsecured consumer loans segment was approximately £19.7 billion in loan stock (an increase of 8.2 per cent. when compared with 31 December 2023), and that it had a share of that TAM of approximately 1.4 per cent., a decrease of 0.6 per cent. when compared with 2023.

⁸⁵ Group estimate based on data published by the Bank of England, Financing & Leasing Association and UK Finance (with input from leading consulting firm).

⁸⁶ Mintel, Personal loans - UK - 2025

⁸⁷ Mintel, Digital Channels in Financial Services UK

(C) Savings market

In the UK savings market, deposit takers (including large banks, building societies, specialist or challenger banks and, increasingly, neo banks) compete for cash deposits from businesses and retail customers. Product offerings in the savings market are typically divided between easy access accounts (i.e., where a customer has instant or near-instant access to fund withdrawals), and time deposits (i.e., where withdrawal prior to the expiry of agreed time periods is subject to a penalty or prohibited altogether). In addition, certain other products including ISAs and more bespoke and sophisticated products offer a range of pricing and availability options. Access to the UK savings and deposits market by deposit takers is no longer reliant upon a high street presence or associated current account offering as customers are increasingly adopting digital banking (please see further section 2.1.6 of this Part V).

Historically the UK savings market has been dominated by large high street banks, due to brand loyalty, the perceived 'safety' of these institutions and customer inertia due to high barriers to switching. However, in recent years, high street banks have lost market share to alternative savings institutions. Indeed, one recent report highlights that high street banks' share of UK deposits fell from 84 per cent. in 2019 to 80 per cent. in 2024, equivalent to £100 billion of deposits moving to specialist lenders, digital banks and building societies during that period.⁸⁸ Specialist lenders' and digital banks' increased presence in the UK savings market has been aided by the security afforded to customers by the FSCS and the free advertising of brand and rates in a variety of media and 'best buy' type tables.

The Group estimates that, as at 31 December 2024, the size of the Group's total addressable savings market was approximately £461.4 billion in retail deposits, and that it had a share of that TAM of approximately 3.4 per cent., indicating significant room to grow within the UK market given the current low level of market penetration. The Group further estimates that its cumulative total addressable deposits market will grow between 2024 and 2029 at an approximate CAGR of 3.7 per cent. when measured by deposit stock, resulting in a potential cumulative TAM in excess of £550 billion by 2030.

⁸⁸ KPMG, UK Banking Sector Faces Medium-Term Profitability Squeeze (August 2025)

PART VI

SUPERVISION AND REGULATION

Four of the Company's wholly-owned subsidiaries are regulated entities: Shawbrook Bank, TML, BML and JBR Capital. In addition, the Company is a UK parent financial holding company approved by the PRA under Part 12B of FSMA. These are the only regulated entities within the Group. Shawbrook Bank is a UK credit institution which is authorised by the PRA and regulated by the PRA and the FCA (referred to as a PRA-authorised or dual-regulated firm). TML, BML and JBR Capital are UK lenders and are authorised and regulated by the FCA (referred to as FCA-authorised or solo-regulated firms).

This Part VI provides a brief overview of certain key aspects of the UK regulatory environment in which the Group operates and which may materially affect its business.

1. UK Regulatory Framework

1.1 Key Regulatory Bodies

1.1.1 The Prudential Regulation Authority

The PRA is an independent division of the Bank of England, which has responsibility for the prudential regulation of deposit takers (including banks (such as Shawbrook Bank), building societies and credit unions), insurers and investment firms that have the potential to present significant risks to the stability of the financial system and that have been designated for supervision by the PRA.

In discharging its functions insofar as they relate to banks, the PRA's primary objective is promoting the safety and soundness of PRA-authorised firms. The PRA is required to advance this objective, primarily by seeking to: (i) ensure that the business of PRA-authorised firms is carried on in a way which avoids any adverse effect on the stability of the UK financial system; and (ii) minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system. There are additional requirements set out in the Banking Reform Act regarding how the PRA is to advance its general objective in relation to certain matters related to ring-fenced bodies.

When discharging its general functions in a way that advances its objectives, the PRA must, so far as is reasonably possible, act in a way which, as secondary objectives: (i) facilitates effective competition in the markets for services provided by PRA-authorised firms carrying on regulated activities; and (ii) facilitates, subject to alignment with relevant international standards, the international competitiveness of the UK economy and its growth in the medium-to-long term.

1.1.2 The Financial Conduct Authority

The FCA has responsibility for conduct of business regulation in relation to all authorised firms and the prudential regulation of firms not regulated by the PRA (such as TML, BML and JBR Capital). The FCA also exercises certain market regulatory functions.

When discharging its general functions, as prescribed under FSMA, the FCA must, so far as is reasonably possible, act in a way which is compatible with its strategic objective of ensuring that relevant markets function well, and which advances one or more of its operational objectives of: (i) securing an appropriate degree of protection for consumers (the consumer protection objective); (ii) promoting effective competition in the interests of consumers in financial markets (the competition objective); and (iii) protecting and enhancing the integrity of the UK financial system (the integrity objective).

So far as is compatible with its consumer protection and integrity objectives, the FCA must discharge its general functions in a way which promotes effective competition in the interests of consumers, and which advances its “competitiveness and growth” objective of facilitating, subject to alignment with relevant international standards, the international competitiveness of the UK economy and its growth in the medium-to-long term.

The FCA also has certain competition powers under the Enterprise Act 2002 and the Competition Act 1998 relating to the financial services sector that are concurrent with those of the CMA.

1.1.3 The Payment Systems Regulator

The Banking Reform Act required the FCA to establish a body corporate to regulate payment systems (the “**Payment Systems Regulator**”). The Payment Systems Regulator was established on 1 April 2014 and became fully operational in April 2015. The Payment Systems Regulator is an autonomous subsidiary of the FCA but has separate duties and powers, with its regulatory tools including legislation, rules issued by it (“general directions” and “requirements”), written guidance, decisions and the determination of general policies and principles (by reference to which it performs particular functions). When utilising its regulatory tools in order to discharge its duties, the Payment Systems Regulator must, so far as is reasonably possible, act in a way which advances one or more of its payments system objectives. On 12 March 2025, the UK Government announced that it intended to place legislation before Parliament to abolish the Payment Systems Regulator, and to merge its functions with that of the FCA. In a letter sent to the Chair of the House of Commons Treasury Committee, the Economic Secretary to the Treasury stated that the Government plans to legislate to give effect to this “as soon as possible”.

1.1.4 The Competition and Markets Authority

The CMA is an independent non-ministerial department, responsible for matters such as: (i) investigating mergers which have the potential to lead to a substantial lessening of competition; (ii) conducting market studies and investigations in markets where there may be competition and consumer problems; and (iii) investigating possible breaches of prohibitions against anti-competitive behaviour and abuses of a dominant position.

1.1.5 The Financial Policy Committee

The Financial Policy Committee (the “**FPC**”) is a committee of the Bank of England and has the primary objective of identifying, monitoring and taking action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC has a secondary objective to support the economic policy of the UK Government, including its objectives for growth and employment. The FPC’s activities are relevant to the Group.

1.1.6 Resolution Authority

The Bank of England acts as the UK’s resolution authority for banks, building societies and certain investment firms and is therefore responsible for taking action to ensure the continuity of essential services of such financial institutions in circumstances where such financial institutions have encountered, or are likely to encounter, financial difficulties and to manage the failure of such financial institutions in an orderly way. The Bank of England has numerous resolution tools, including (by way of non-exhaustive example, and subject to conditions and qualifications): (i) the power to direct the sale of the relevant financial institution or the whole or part of its business; (ii) the power to transfer all or part of the business of the relevant financial institution to a “bridge institution”; (iii) the power to separate assets by transferring certain assets to a separate vehicle; and (iv) a debt write-down (or “**bail-in**”) tool.

1.2 Financial Services and Markets Act 2000

The central piece of financial services legislation in the UK is FSMA. Crucially, FSMA prohibits any person from carrying on a “regulated activity” by way of business in the UK unless that person is authorised or exempt under FSMA. Regulated activities are set out in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001/544, as amended, and include deposit-taking, effecting and carrying out contracts of insurance as well as insurance mediation, consumer finance activities (including entering into regulated mortgage contracts as well as unsecured regulated credit agreements) and investment activities (such as dealing in investments as principal or as agent, arranging deals in investments and advising on or managing investments). FSMA also prohibits the communication of financial promotions in the UK unless the financial promotion is issued (or, in certain cases, approved) by an authorised firm or is exempt from such requirements, for example by virtue of its content or the recipients of the promotion.

Additional activities relating to payment services and electronic money are authorised pursuant to the Payment Services Regulations 2017/752 and/or Electronic Money Regulations 2011/99, as discussed below.

Since 29 December 2020, the UK holding companies of banks and PRA-designated investment firms have also been subject to approval by the PRA under FSMA, subject to certain exemptions. On 23 December 2021, the Company received confirmation from the PRA that it was approved as a financial holding company under FSMA.

The following sections set out some of the key elements of FSMA for a UK-authorised bank and a UK-authorised mortgage or motor finance lender.

1.2.1 Threshold conditions

Authorised firms must at all times meet certain “threshold conditions” specified by FSMA. Dual-regulated firms, such as Shawbrook Bank, must meet both the PRA and FCA threshold conditions, and solo-regulated firms, such as TML, BML and JBR Capital must meet the FCA threshold conditions.

The FCA threshold conditions are, in summary, that: (i) a firm’s head office and in particular the location of its central management and control must be in the UK if it is incorporated in the UK; (ii) the firm is capable of being effectively supervised by the FCA with due regard to the nature of its activities, the complexity of its products, the way in which it is organised, its close links to other entities, and its status within a group; (iii) the firm maintains appropriate financial and non-financial resources, having regard to the FCA’s operational objectives; (iv) the firm itself is fit and proper, having regard to the FCA’s objectives and factors including the skills, experience, fitness and propriety of its management; and (v) the firm’s strategy for doing business is suitable, having regard to the FCA’s operational objectives.

The PRA threshold conditions as they relate to banks require, in summary, that: (i) a bank is either a body corporate or partnership; (ii) a bank’s head office and in particular the location of its central management and control must be in the UK if it is incorporated in the UK; (iii) the firm must conduct its business in a prudent manner, which includes having appropriate financial and non-financial resources; (iv) the firm itself is fit and proper, having regard to the PRA’s objectives and factors including the skills, experience, fitness and propriety of its management; and (v) the firm is capable of being effectively supervised by the PRA.

1.2.2 Change of control

Under FSMA, if a person (whether acting alone or in concert with another) decides to acquire or increase its “control” of a UK authorised person, it must first notify the appropriate regulator (being, for PRA-authorised firms, the PRA, and, otherwise, the FCA). The regulator must then decide whether to approve the acquisition or increase of control within 60 working days after the regulator acknowledges receipt of a complete application (the “**Assessment Period**”). The regulator is permitted to make requests for information during the Assessment Period. The first such request made, provided it is no later than the 50th working day of the period, will “stop the clock”, from the date of the request until the date the regulator receives the requested information, for up to 30 working days. These timings can have a significant influence on the timing of any corporate M&A transaction involving a target that is a UK authorised person.

When determining the suitability of a prospective controller, the relevant regulator is required to consider factors including the financial soundness of the acquisition in order to ensure the reputation of that prospective controller (as well as the reputation, knowledge, skills and experience of the persons who would direct the business of the underlying UK authorised person), the financial soundness of that prospective controller, and whether the acquisition would interfere with the UK authorised person’s ability to continue to comply with its threshold conditions and to be effectively supervised by the PRA and/or FCA (as applicable).

Acquiring control for the purposes of FSMA includes where a person first holds 10 per cent. or more of the shares or voting power in an authorised person or its parent undertaking, and/or where a person acquires shares or voting power in an authorised person or its parent undertaking as a result of which it is able to exercise significant influence over the management of the authorised person. A person will be treated as increasing its control over a UK authorised person, and therefore require further approval from the PRA or FCA, if the level of their shareholding or entitlement to voting power increases from a holding below certain thresholds to a holding above them. The thresholds are 20 per cent., 30 per cent. or 50 per cent. of shares or voting power. A modified regime with a single 20 per cent. control threshold for the acquisition or increase in control applies to certain UK authorised persons (such as TML, BML and JBR Capital).

When determining a person’s level of control, that person’s holding of shares or entitlement to voting power will be aggregated with the holdings or entitlements of any person with whom they are “acting in concert”.

An acquisition or increase of control without PRA or FCA approval (as applicable) is a criminal offence.

1.2.3 FCA/PRA Handbooks and other guidance

The PRA and FCA are empowered under FSMA to make rules in respect of various aspects of regulation. These rules are contained in the PRA Rulebook and the FCA Handbook (defined below) respectively, and are supplemented by additional guidance materials.

Once authorised, and in addition to continuing to meet the threshold conditions described above, firms are obliged to comply with, among other things, the Principles in the Principles for Businesses Sourcebook of the FCA Handbook and, if a dual-regulated firm, the rules in the Fundamental Rules Part of the PRA Rulebook, which include requirements to: (i) conduct their business with integrity and due skill, care and diligence; (ii) maintain adequate financial resources; (iii) treat customers fairly; (iv) communicate with customers in a manner that is clear, fair and not misleading; and (v) communicate with regulators in an open and cooperative way, disclosing to the PRA and the FCA appropriately anything relating to the firm of which they would reasonably expect notice. The 8 Fundamental Rules and 12 Principles are set out in the PRA Rulebook and FCA Handbook respectively.

Other parts of the FCA Handbook which are of particular relevance to the Group include the Senior Management Arrangements, Systems and Controls sourcebook, CONC, MCOB, the Supervision sourcebook, and the Dispute Resolution: Complaints sourcebook, (including, with respect to TML, BML and JBR Capital, those provisions which deal with prudential requirements).

As set out in the section below entitled “*Prudential Regulation*”, the rules setting out the prudential requirements applicable to Shawbrook Bank are contained in various Parts of the PRA Rulebook.

1.2.4 Enforcement

The PRA and the FCA have the power to take a range of enforcement actions, including the ability to sanction firms and individuals carrying out functions within them. The sanctions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation or variation of a firm’s permission to carry on regulated activities or of an individual’s approval to perform particular roles within a firm. They can also vary or revoke the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or that fails to meet the relevant threshold conditions.

If a financial services firm wishes to challenge any decision of the PRA or the FCA, it would usually make formal representations and/or bring its case before the Upper Tribunal.

2. Prudential Regulation

The prudential regime that applies to UK banks was largely derived from E.U. legislation. It is set out under:

- Regulation (EU) No 575/2013, as amended and as it now forms part of the domestic law of the UK pursuant to the EUWA 2018, including as it has been amended by the laws of England and Wales (the “**UK CRR**”);
- UK law and regulatory rules implementing Directive 2013/36/EU (as amended (i.e., UK CRD IV) and Directive 2019/878/EU (i.e., UK CRD V));
- the PRA Rulebook and associated PRA guidance; and
- other relevant UK domestic law and regulation.

This framework implements standards set at an international level by the Basel Committee on Banking Supervision, including under the Basel III framework. As part of the UK's implementation of the Basel III standards, portions of the UK CRR were revoked, and the relevant requirements transcribed into the PRA Rulebook (and in some cases amended) effective as of 1 January 2022. The remaining Basel III standards (sometimes referred to as Basel 3.1) are currently intended to be implemented in a similar manner by 1 January 2027 (with the PRA consulting on the implementation of certain specific rules being further delayed to 1 January 2028), in order to enable greater clarity to emerge regarding the similar process of implementation in the USA, with certain transitional periods in respect of particular provisions within Basel 3.1 terminating on 1 January 2030. The near-final rules which will implement Basel 3.1 are set out in the PRA's policy statement PS9/24 – Implementation of the Basel 3.1 standards near-final part 2. The Directors believe that the impact of Basel 3.1 on the Group is readily absorbable within the Group's existing capital resources plus expected capital generation up to the end of 2026.

2.1 Capital

There are three types of regulatory capital provided for in the UK CRR:

- Common Equity Tier 1 Capital (CET1 capital), including common equity (as well as any share premiums relating to such instruments, in each case to the extent that a bank has received permission from the PRA to classify the relevant instruments as CET1 capital) and retained earnings;
- Additional Tier 1 capital, including deeply subordinated perpetual instruments issued in accordance with the requirements of the UK CRR (as well as any share premiums relating to such instruments); and
- Tier 2 capital, comprising dated or perpetual subordinated instruments issued in accordance with the requirements of the UK CRR (as well as any share premiums relating to such instruments) and certain other risk-weighted exposure amounts.

The principal metrics used to assess capital strength are the CET1 ratio (i.e., CET1 capital: total risk exposure amount), total capital ratio, and the leverage ratio. The UK CRR sets out the minimum requirements ("**Pillar 1**") for institutions' own funds, including:

- a CET1 capital ratio of 4.5 per cent.;
- a Tier 1 capital ratio of 6 per cent.; and
- a total capital ratio of 8 per cent.

In addition to the Pillar 1 capital requirements, institutions are also subject to Pillar 2 requirements. This includes Pillar 2A (which is intended to take account of risks which are not adequately covered by Pillar 1 calculations) and Pillar 2B (which is intended to take account of risks including those to which institutions may become exposed over a forward-looking planning horizon). The level of capital required to be maintained by institutions under Pillar 2 is subject to ongoing review by the PRA.

The PRA requires UK banks to maintain a capital conservation buffer of CET1 capital equal to 2.5 per cent. of their total risk exposure amount, and a countercyclical capital buffer of CET1 capital calculated by reference to their total risk exposure amount multiplied by their institution-specific countercyclical capital buffer rate (which in turn consists of a weighted average of countercyclical buffer rates that apply to exposures in the jurisdictions where that firm's relevant credit exposures are located, calculated in accordance with a certain set of requirements). The UK's counter-cyclical buffer rate, which is set by the FPC, is currently 2.0 per cent. as of July 2025, having previously been set at 0.0 per cent. during the COVID-19 pandemic as a stimulatory measure by the FPC.

The UK CRR places a requirement on the ultimate UK parent undertakings of in-scope firms (including the Company) to comply with capital and leverage requirements on the basis of their consolidated situation. In addition, regulated firms remain subject to solus capital and leverage requirements. In the case of Shawbrook Bank, the PRA has granted a formal waiver permitting it to incorporate TML, BML and JBR Capital into its calculations of its requirements under Article 6(1) of the UK CRR (a so-called “individual consolidation waiver”).

As FCA-regulated lenders, TML, BML, and JBR Capital are subject to relatively light solus capital requirements; however, the FCA retains the discretion to request or require that such firms hold additional capital where it considers that this would be necessary to enable the firm to meet its threshold condition regarding adequate resources.

2.2 Liquidity

A bank's ability to manage shocks to the financial system is assessed by the extent to which its assets are covered by funding with equal or longer maturity. The principal metrics to assess bank funding and liquidity are the NSFR and LCR:

- The NSFR is the ratio of an institution's available stable funding (as set out in chapter 3 of title IV of the UK CRR), to the required stable funding of that institution (as set out in chapter 4 of title IV of the UK CRR), with the NSFR required to be maintained above 100% in the normal course of business. Where the NSFR is less than 100% (or can reasonably be expected to fall below 100%), firms are required to engage with the PRA on implementing a plan to restore the NSFR to an appropriate level.
- The LCR is equal to the ratio of an institution's liquidity buffer to its net liquidity outflows over a 30 calendar day stress period. As with the NSFR, the LCR is required to be maintained above 100% in the normal course of business, with the same statutory engagement procedure required where the LCR falls below 100% to restore it to an appropriate level.

2.3 Leverage

The PRA has introduced leverage ratio requirements such that UK banks and building societies that have retail deposits in excess of £50,000,000,000 or foreign assets in excess of £10,000,000,000 must hold sufficient Tier 1 capital to maintain, at all times, a ratio between its Tier 1 capital and its “total exposure measure” (broadly speaking the aggregate exposure value of all of its assets and off-balance sheet items) of 3.25 per cent. For the purposes of complying with the leverage ratio requirements, at least 75 per cent. of the relevant firm's Tier 1 capital must consist of CET1 capital. The PRA has consulted in 2025 on increasing the retail deposit threshold for becoming subject to the leverage ratio requirements from £50 billion to £70 billion.

The minimum leverage ratio may also be supplemented by certain leverage “buffers”; in particular, a countercyclical leverage ratio buffer and (in respect of certain banks) an additional leverage ratio buffer.

At the date of this Registration Document, Shawbrook Bank is not subject to regulatory requirements regarding its leverage. However, in the event that Shawbrook Bank grows its retail deposit base or foreign assets in excess of the thresholds set out above, it would have to comply with the minimum leverage ratio and additional leverage buffers, which could constrain its wider operational freedom.

2.4 Large exposures

The PRA imposes restrictions on large exposures incurred by banks and requires capital deductions for funding arrangements (including loans and guarantees) entered into with connected parties where those arrangements are of a capital nature. A “large exposure” is defined under the Large Exposure (CRR) Part of the PRA Rulebook as “*an institution’s exposure to a client or group of connected clients where the value of the exposure is equal to or exceeds 10% of its Tier 1 capital*”; there is a strict prohibition upon any such exposures which are equal to or in excess of 25 per cent. of a bank’s Tier 1 capital, except in certain circumstances which should not be applicable to Shawbrook Bank.

2.5 Ring-fencing

From 1 January 2019, certain UK banks have been required to ‘ring-fence’ core banking services from wholesale and investment banking services (the “**Ring-fencing Regime**”).

As a result, UK banks with £35,000,000,000 or more of retail deposits (in general terms, any deposits other than those from certain financial institutions, certain corporates and high-net-worth individuals who expressly “opt-out”), are required to operate as a ring-fenced body (“**RFB**”), unless they hold trading assets which are less than 10% of its Tier 1 capital. A bank that is required to “ring-fence” its retail banking activities is required to use its RFB to ensure that the “core activity” of accepting deposits, together with the “core services” associated with that activity, is structurally separated from certain “excluded activities” (including, for example, activities associated with investment and wholesale banking such as dealing in certain instruments as principal and dealing in commodities). The RFB is also subject to a number of other restrictions, including, for example, being prohibited from incurring exposures to certain types of financial institutions.

At the date of this Registration Document, the Group does not fall within the scope of the Ring-fencing Regime as the core deposit threshold is not met. However, in the event that Shawbrook Bank increases the value of deposits that it accepts in the future so that the core deposit threshold (and the secondary threshold in respect of trading assets) are met, and as a result becomes subject to the Ring-fencing Regime, the likely implementation and ongoing compliance costs would be significant.

3. Resolution

3.1 Special Resolution Regime and Bail-In

The Banking Act gives substantial powers to HM Treasury, the Bank of England, the PRA and the FCA to resolve failing banks and their groups. Those powers are set out under the SRR, which (along with rules in the PRA Rulebook and the FCA Handbook, as well as amendments to HM Treasury’s Special Resolution Regime Code of Practice) also implements the provisions of the BRRD relating to the resolution of banks and certain other financial institutions.

The SRR consists of five stabilisation options: (i) transfer of all or part of the business or shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England; (iii) transfer of all or part of the business or shares of the relevant entity to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (iv) the bail-in tool (as described below); and (v) temporary public ownership (nationalisation).

The bail-in tool involves allocating an entity’s losses to its shareholders and unsecured creditors in a manner prescribed in the Banking Act, which (i) respects the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the “no creditor worse off” safeguard). This allocation of losses would be effected through exercise of the Bank of England’s powers to convert various claims into ordinary shares, or to write off such claims altogether.

If the Bank of England were to exercise its powers under the UK resolution regime in relation to the Group, then Shareholders may experience dilution of, or losses on, their holdings and may not receive any compensation for their losses. In addition, certain of the Group's debt liabilities could be converted to equity as a result of the bail-in power, diluting Shareholders' holdings.

The Contractual Recognition of Bail-In Part of the PRA Rulebook (implementing a requirement introduced by Article 55 of the BRRD) imposes rules on the Group in relation to liabilities which are governed by the law of a jurisdiction other than the UK. The Group is required to ensure that contracts governing such liabilities contain a term whereby the creditor or party to the agreement creating the liability recognises that the liability may be subject to the write-down and conversion powers, and agrees to be bound by any reduction of the principal or outstanding amount due, conversion or cancellation that is effected by the exercise of those powers. Failure to include such a contractual term shall not prevent the Bank of England from exercising the write-down and conversion powers in respect of the relevant liability. These rules could affect the ability of the Group to raise and maintain funding under contracts governed by a law other than UK law. These rules do not apply in respect of certain liabilities in circumstances where compliance was adjudged impracticable; however, if the Group makes such an assessment with which the PRA later disagrees, the Group could be required to renegotiate relevant contracts and/or be subjected to regulatory sanctions.

Additionally, the Banking Act and rules and legislation made under it require banking groups, and their regulators, to plan for how they might be rescued or resolved in a crisis scenario, including by making resolution plans, and to take into account the Bank of England's resolution powers when they issue capital and other debt instruments and enter into agreements creating liabilities.

The powers extended to regulators designed to aid early intervention in failing banks include the ability to remove and replace members of the board, implement measures identified in an institution's recovery plan, appoint special managers, and require changes to the operational and/or legal structure of the institution.

The preferred resolution strategy for the Group is "modified insolvency", as part of which Shawbrook Bank would enter into a corporate insolvency process which is modified as necessary to ensure that the objectives of the resolution regime, notably safeguarding deposits protected by the FSCS and ensuring continuity of banking services, can be achieved despite the firm entering insolvency. Once such objectives were fully achieved, the procedure would revert to an ordinary insolvency process. Under the current regime, at the point at which the Group provides more than 40,000 to 80,000 transactional accounts, the Bank of England may consider that a "partial transfer" preferred resolution strategy would be more appropriate; under this strategy, the Group would be resolved through the Bank of England facilitating the transfer of part of the Group's business to a private sector purchaser or to a bridge bank (on a temporary basis pending onwards sale to a private sector purchaser), with the remaining portion of the Group placed into insolvency as necessary.

From January 2026, the MREL regime will be amended, such that the 40,000 to 80,000 transactional account test will only be indicative when determining whether an institution with less than £25 billion of assets will be expected to enter insolvency rather than be subject to a resolution involving use of the Bank of England's stabilisation powers. The Bank of England will, in particular, focus upon whether the Group's total assets are in excess of £25 billion (in which case, it may consider whether a bail-in strategy or partial transfer strategy will be appropriate) or in excess of £40 billion (in which case it will generally determine that a bail-in strategy will be appropriate). In addition to the number of transactional accounts provided by a bank, the Bank of England will also consider a number of other factors when determining an appropriate preferred resolution strategy. As at 30 June 2025, the Group had consolidated total assets of £ 20.3 billion and 903 transactional accounts.

3.2 Minimum requirement for own funds and eligible liabilities (MREL)

UK banks are required at all times to meet MREL, as set by the Bank of England pursuant to its Statement of Policy. In June 2018, the Bank of England published a statement of policy (updated with effect from 1 January 2022, and with further amendments scheduled to become effective from 1 January 2026). Its policy is designed to: (i) ensure firms have sufficient loss absorbing capacity; (ii) ensure continuity of critical functions without making recourse to public funds; and (iii) facilitate the use of the bail-in tool in a resolution scenario. This is an institution-specific requirement, and the Bank of England is required to make a determination on a case-by-case basis of the appropriate MREL requirement for each resolution group (and for certain individual firms within such resolution groups) in the UK.

The Group's current MREL requirement is set at minimum regulatory capital requirements (i.e., Pillar 1 + Pillar 2A), although the Group may, in the future, be subject to MREL requirements in excess of minimum regulatory capital requirements (which could ultimately be set at two times the sum of the Pillar 1 and Pillar 2A requirement). It is expected that the Bank of England would give the Group a transitional period of 6 years to meet any increased MREL requirement.

For more information see the risk factor entitled "*The Group's business is subject to substantial and changing prudential regulation.*" in Part I (*Risk Factors*).

4. Conduct of Business Regulation

4.1 Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the "**SM&CR**") has applied to banks, such as Shawbrook Bank, since 7 March 2016, and solo-regulated firms (including, as at the date of this Registration Document, BML, JBR Capital and TML) since 9 December 2019. The SM&CR is intended to enhance personal responsibility for senior managers, as well as raise standards of conduct of key staff more broadly, supported by robust enforcement powers for the regulators. The regime consists of three main elements: (i) the Senior Managers Regime; (ii) the Certification Regime; and (iii) the Conduct Rules.

The Senior Managers Regime focuses on individuals who carry out certain specified senior management functions for the firm (i.e., individuals who hold key roles or have overall responsibility for business areas of the firm in question). These individuals are required to be approved by the PRA and/or the FCA (depending on the nature of their role) prior to performing senior management functions, are subject to ongoing fitness and propriety assessments and have a statutory duty of responsibility to take reasonable steps to prevent regulatory breaches occurring in their areas of responsibility. Firms must ensure that each senior manager has a statement of responsibilities setting out the areas for which they are personally accountable, and their allocated prescribed responsibilities. Certain firms (including UK banks) must produce a management responsibilities map describing their management and governance arrangements. Where a bank breaches a regulatory requirement relating to an area for which a particular manager is responsible, that senior manager may be subject to regulatory sanctions. However, it is a defence for the relevant senior manager to be able to demonstrate that he or she took reasonable steps to prevent that breach from occurring or continuing. Additionally, criminal liability may arise if a senior manager takes a decision, or fails to take steps to prevent a decision, by or on behalf of a bank, the implementation of which causes the bank's failure (or the failure of another bank in its group).

The Certification Regime applies to employees who, while not senior managers, could pose a risk of significant harm to the firm and/or its customers. Such individuals must be certified by the firm to be fit and proper to carry out their roles both when taking up that role and on a continuing basis thereafter. The UK government has proposed consulting on abolishing the Certification Regime, though such consultation has not yet commenced, and it is not clear what its outcome may be.

The Conduct Rules are high-level requirements that apply to all employees (except ancillary staff who perform a role that is not specific to the financial services business of the firm) of firms within the scope of the SM&CR. There are specific, additional conduct rules that apply to senior managers (and, to a more limited extent, Non-Executive Directors who do not perform senior management functions).

4.2 Consumer credit regulation

Responsibility for consumer credit transferred from the Office of Fair Trading (“OFT”) to the FCA on 1 April 2014. The framework for consumer credit regulation comprises FSMA and its secondary legislation, retained provisions of the CCA and its retained secondary legislation, and rules and guidance in the FCA Handbook, in particular in CONC.

The CCA and CONC set out, among other things, general conduct standards, rules on financial promotions, the form and content of regulated credit agreements, further rules on pre- and post-contractual requirements, responsible lending rules and debt advice rules. Under sections 140A-D (inclusive) of the CCA, the court has power to determine that the relationship between a lender and a customer arising out of a credit agreement is unfair to the customer. If the court makes such a determination (and court decisions in recent years have generally interpreted “unfair relationship” in a way favourable to customers), then it may make an order, among other things, requiring the lender or any assignee to repay any sum paid by the customer. Non-compliance with relevant rules in respect of any regulated credit agreement may render that regulated credit agreement unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and may also require interest and charges that have already been collected to be refunded.

The FCA is proactive in pursuing possible regulatory failures and poor practices (for example, by initiating its own investigations where consumer experience suggests that such an investigation is merited). Where consumer detriment is found, the FCA will use its powers of intervention, which may include enforcement action and/or securing redress for consumers.

The FCA has greater powers of enforcement than the OFT had, including the power to, among other things: (i) bring criminal, civil and disciplinary proceedings; (ii) withdraw authorisations; (iii) suspend authorised firms for 12 months; (iv) suspend individuals from performing certain roles for two years; and (v) issue unlimited fines. It is also able to use its product intervention powers in the consumer credit market, which can include restrictions on product features and selling practices or product bans.

The UK government has consulted on reforms to the CCA regime which are intended to modernise it and ensure that it is proportionate and supports innovation and growth. The first phase of the consultation, which focused on proposals in relation to information requirements, sanctions and criminal offences, concluded in July 2025, with a second phase expected to commence towards the end of 2025.

4.3 FCA regulation of regulated mortgages

The FCA regulates the provision of “regulated mortgage contracts” (defined in Article 61(3)(a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544)), as well as certain consumer buy-to-let mortgages.

The Mortgages and Home Finance: Conduct of Business sourcebook in the FCA Handbook sets out rules for regulated mortgage activities which cover, among other things, pre- and post-contract sales disclosures, contract changes, arrears and repossessions, and charges. Various additional products have been brought within the scope of FCA mortgage regulation, most importantly as a result of the UK's implementation of the Mortgage Credit Directive, which resulted in second-charge mortgages and consumer buy-to-let mortgages becoming regulated as "regulated mortgage contracts". The FCA's prudential sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries also includes requirements relating to the maintenance of capital resources by mortgage intermediaries and the allocation of responsibility for a firm's insurance distribution and/or mortgage credit intermediation activities to a specific director or senior manager.

A pre-action protocol relating to mortgage or home plan arrears where the relevant loan relates to residential property in England and Wales came into force on 19 November 2008. The pre-action protocol sets out guidance on the steps that lenders are expected to take before commencing a claim for possession. A number of mortgage lenders confirmed that they would delay the initiation of repossession action for at least three months after arrears start to accrue and where the property in question is occupied by the borrower.

In May 2018, the FCA issued an interim report on the mortgages market study (MS 16/2.2), with its final report published on 26 March 2019. The final report proposed certain remedies for the mortgage market, with the FCA proposing new lending rules on how lenders assess whether or not a customer can afford to switch to a new loan in CP 19/14 (March 2019) (which were implemented with immediate effect through PS 19/27 (October 2019)), and consulting on changes to advice rules and guidance that would reduce barriers to innovation in mortgage distribution in CP 19/17 (May 2019). The FCA responded to CP 19/17 on 1 January 2020, through PS 20/1, and the final rules were brought into effect on 31 January 2020.

4.4 Consumer rights

The main provisions of the Consumer Rights Act 2015 (as amended) (the "**CRA**") came into force on 1 October 2015. Among other things, it deals with unfair contract terms and consumer notices. The main effect of this legislation is to consolidate and reform the rules dealing with the fairness of contractual terms when dealing with a consumer as well as clarify the remedies that consumers have.

The CRA significantly reforms and consolidates consumer law in the UK and re-implements the Unfair Contract Terms Directive (Directive 93/13/EEC) into UK law. The CRA involves the creation of a single regime out of the Unfair Contract Terms Act 1977 (which essentially deals with attempts to limit liability for breach of contract) and the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999/2083) (the "**UTCCR**"). When the unfair contract terms regime of the CRA came into force it revoked the UTCCR and introduced a new regime for dealing with unfair contractual terms as follows:

- under Part 2 of the CRA, an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft, or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer;
- a term in a consumer contract may not be assessed for fairness to the extent that: (i) it specifies the main subject matter of the contract; or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it, to the extent that such term is transparent and prominent; and

- a trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent (i.e., that it is expressed in plain and intelligible language and is legible). Where a term in a consumer contract is susceptible to multiple different meanings, the meaning most favourable to the consumer will prevail.

The CMA and the FCA have powers to challenge unfair terms in financial services consumer contracts as the regulators under the CRA. They may seek an undertaking from firms not to use an unfair contract term in its consumer contracts or apply to the court for an injunction from using the unfair term or enforcing the term against customers. In December 2018, the FCA published FG 18/7 on fairness of variation terms in financial services consumer contracts under the CRA, outlining the areas to which firms should have regard when drafting variation terms to ensure their fairness under the CRA.

4.5 Consumer duty

Regulated firms are subject to the FCA's Consumer Duty. This includes both a high-level principle that firms should act to deliver good outcomes for retail customers, as well as more granular rules which firms are expected to comply with. These include "cross-cutting rules" setting out how firms should act to deliver good outcomes for retail customers, and specific outcomes (in relation to products and services, to price and value, to consumer understanding and to consumer support) which firms should seek to facilitate. The Consumer Duty came into force in relation to "open" products (i.e., those which can be bought or renewed) in July 2023, and in relation to "closed" products (i.e., those which are no longer actively sold, but which are still held by existing customers) in July 2024.

5. Other Relevant Legislation and Regulation

5.1 Financial Services Compensation Scheme

FSMA established the FSCS, which pays compensation to eligible customers of certain types of authorised financial services firms which are unable, or are likely to be unable, to pay claims against them. Broadly speaking, the aims of compensation payments are to provide redress for customers who are least able to sustain financial loss and therefore to assist in promoting consumer confidence in the financial system.

The actual level of compensation paid by the FSCS depends on the basis of claim. The FSCS only pays compensation for financial loss. Compensation limits apply on a "per person per firm" and "per claim category" basis. With respect to deposits, there is a limit of £85,000 per person per firm or up to £170,000 for joint accounts (for claims against firms declared in default after 1 January 2017). There is also a £1,000,000 protection limit for temporary high balances held with a bank, building society or credit union in certain situations (e.g., where this represents proceeds from the sale of a primary residence). With respect to investments and home finance (e.g., mortgage advice and arranging), there is a limit of £85,000 per person per firm (for claims against firms declared in default from 1 April 2019). The FCA is consulting on proposals to increase: (i) the individual depositor protection limit to £110,000 per person per firm; and (ii) the temporary high balances limit to £1,400,000 per person per firm, in each case for deposit-taker failures occurring on or after 1 December 2025. The FCA expects to publish a policy statement on its proposals to increase such limits in November 2025.

The FSCS will soon also be able, subject to the Bank of England's direction, to make payments to failing financial institutions in order to recapitalise them, with the costs of such recapitalisation recoverable via increases to the FSCS levy referred to in the following paragraph.

The FSCS is funded by levies raised on authorised firms. The methodology underlying the calculation of this levy changes from year to year.

5.2 Financial Ombudsman Service

FSMA established the FOS, which provides customers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from a regulated firm. The jurisdiction of the FOS extends to banks and consumer finance firms. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The definition of eligible persons was widened from 1 April 2019 to extend access to the FOS to more small and medium-sized enterprises, charities and trusts. The FOS may also make directions (which direct the business to take such steps as the FOS considers just and appropriate).

At present, the maximum monetary award which may be awarded by the FOS is £445,000 (excluding any interest and costs) for complaints about acts or omissions by firms on or after 1 April 2019 and referred to the FOS on or after 1 April 2025, and £200,000 for complaints about acts or omissions by firms before 1 April 2019 and referred to the FOS on or after 1 April 2025. These limits are adjusted each year in line with inflation.

Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable in all circumstances of the case. In this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms. The FOS and FCA recently consulted upon further reforms to the FOS framework, focusing in particular upon: (i) mass redress events; (ii) cooperation between the FCA and FOS; and (iii) more generally improving the efficiency and predictability of dispute resolution by the FOS.

5.3 European Market Infrastructure Regulation

Regulation (EU) No 648/2012 was adopted by the European Parliament and European Council on 4 July 2012, and now forms part of the domestic law of the UK pursuant to the EUWA 2018 (as amended, “**UK EMIR**”). UK EMIR provides for certain over-the-counter (“**OTC**”) derivative contracts to be submitted to central clearing and imposes, among other things, margin posting and other risk mitigation techniques, reporting and record keeping requirements. Shawbrook Bank is classified as a Financial Counterparty for the purposes of UK EMIR and has been required to centrally clear OTC derivatives since 18 October 2019.

5.4 Outsourcing and operational resilience

The Group is subject to a number of regulatory obligations in relation to outsourcing and third-party risk management. On 25 February 2019, the EBA published revised guidelines on outsourcing arrangements, which took effect on 30 September 2019 and apply to banks (among other firms). These continue to apply in the UK notwithstanding the UK’s withdrawal from the E.U. The guidelines supplement the existing provisions in the PRA Rulebook and the FCA Handbook in relation to outsourcing and require firms to identify, assess, monitor and manage risks associated with third-party arrangements.

There are additional regulatory expectations published by the FCA, PRA and the Bank of England in respect of the operational resilience of financial institutions. Shawbrook Bank must, in particular, comply with the Operational Resilience Part of the PRA Rulebook, which requires it to identify its important business services, set impact tolerances for the maximum tolerable disruption and carry out mapping and testing to a level of sophistication necessary to do so, and to identify any vulnerabilities in their operational resilience.

5.5 Payment Services Regulations

Under the Payment Services Regulations 2017, the FCA is responsible for regulating payment services in the UK. The Payment Services Regulations 2017 establish an authorisation regime, which requires payment service providers either to be authorised or registered with the FCA. The Payment Services Regulations 2017 also contain certain rules about the provision of payment services with which payment service providers must comply, including rules concerning obtaining consent for payment transactions, unauthorised or incorrectly executed transactions, liability for unauthorised payment transactions, refunds, execution of payment transactions, execution time, information to be provided to payment service users, and liability of payment services providers where things go wrong. In November 2024, the UK Treasury published its “National Payments Vision”, setting out a number of ambitions for reforms to the UK payment services regime, and setting up a “Payments Vision Delivery Committee” to progress these reforms. Shawbrook Bank, as a credit institution, is authorised to provide payment services to its customers.

5.6 Money Laundering Regulations

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) (the “**MLRs 2017**”), which came into force on 26 June 2017 and were amended on 20 December 2019 to implement Directive (EU) 2018/843, the Terrorism Act 2000, the Proceeds of Crime Act 2002, and the Fraud Act 2006, require the Group to (among other things) verify the identity of customers during the on-boarding process, to keep records, and to complete ongoing monitoring to help prevent money laundering and fraud. Guidance in respect of firms’ anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group and is approved by HM Treasury under the MLRs 2017. The FCA oversees firms’ adherence to relevant provisions of the Joint Money Laundering Steering Group’s guidance when deciding whether conduct amounts to a breach of relevant requirements.

5.7 UK AML Sanctions Regime

Under the EUWA 2018, the UK passed the Sanctions and Anti-Money Laundering Act in 2018 to deal with the transition from the E.U.’s sanctions regime to its new regime. The act gives the UK government powers to lift and impose sanctions in line with its ongoing international obligations and to devise new targeted sanctions as part of its own regime.

5.8 Bribery Act

The Bribery Act 2010 (as amended) contains offences relating to bribing another person, accepting bribes and bribing foreign public officials. It also contains an offence for commercial organisations of failing to prevent persons associated with them from bribing another person on their behalf. The Ministry of Justice has published guidance about procedures which commercial organisations can put into place to help prevent persons associated with them from engaging in such activity.

5.9 UK GDPR and the Data Protection Act

UK GDPR governs the processing of personal data in the UK. It requires organisations, including financial institutions such as the Group, to handle personal data lawfully, transparently, and securely. Key principles include data minimisation, purpose limitation, and accountability. Individuals have rights over their data, including access, correction, and erasure. The Data Protection Act 2018 (the “**DPA**”) supplements the UK GDPR and came into force on 25 May 2018 (superseding the Data Protection Act 1998). It also implements the E.U. Data Protection Directive (Directive (EU) 2016/680) into UK law.

Those responsible for processing and controlling personal data must ensure that their data policies and processes reflect requirements contained in the UK GDPR and the DPA. The DPA appoints the Information Commissioner as the independent data protection regulator and contains requirements for data controllers to notify the Information Commissioner of breaches of the DPA. For infringements of its provisions, UK GDPR sets a maximum fine of the greater of £17.5 million or 4 per cent. of total worldwide turnover in the relevant undertaking's preceding financial year.

5.10 Criminal Finances Act

With effect from 30 September 2017, the Criminal Finances Act 2017 introduced a new criminal offence for businesses that fail to take adequate steps to prevent their associates (employees, agents or other persons who perform services for or on behalf of the business concerned) from facilitating tax evasion. Only where the business has put in place reasonable prevention procedures to prevent facilitation of tax evasion by their associates will it have a defence. HMRC has published guidance on the types of processes and procedures that may be put in place by businesses to limit the risk of representatives criminally facilitating tax evasion.

5.11 Modern Slavery Act

The Modern Slavery Act 2015 is an Act of Parliament designed to combat modern slavery in the UK and consolidates previous offences relating to human trafficking and slavery. The Modern Slavery Act 2015 requires bodies corporate or partnerships supplying goods or services with a total global annual turnover of £36,000,000 or more that are carrying out a business, or part of a business, in the UK to publish a slavery and human trafficking statement each financial year (the total turnover is calculated taking into account the turnover of any subsidiary undertakings). The annual statement must disclose what action the firms have taken to ensure there is no modern slavery within their business or supply chains.

5.12 Economic Crime and Corporate Transparency Act

The Economic Crime and Corporate Transparency Act 2023 ("**ECCTA**") is an Act of Parliament designed to tackle the use of UK business and finance for criminal activities. Among other things, the ECCTA introduced a new criminal offence for large organisations that fail to prevent persons associated with them from committing fraud with the intention of benefiting the organisation or any person to whom the associated person provides services on behalf of the organisation. Associated persons includes an organisation's employees, agents, subsidiary undertakings and other persons who provide services for the organisation. Only where an organisation has put in place reasonable prevention procedures to prevent its associated persons from committing fraud will it have a defence.

PART VII

DIRECTORS, SENIOR MANAGERS, CORPORATE GOVERNANCE

1. Directors

The Directors and their principal functions within the Group, together with a brief description of their business experience and principal business activities outside the Group, are set out below. The business address of each of the Directors (in such capacity) is Lutea House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE.

1.1 John Callender (Non-Executive Chairman)

John was appointed to the Board as Chairman in 2018, bringing extensive financial services experience, gained through both his Executive and Non-Executive careers. John previously served as Interim Chair and Chair of the Risk Committee on the Board of Aldermore Group plc for six years, and Chair of Remuneration Committee and Non-Executive Director of Motability Operations plc for nine years. He also served as Chair of the trade body, the Finance and Leasing Association, Non-Executive Chair of ANZ Bank Europe Ltd, and Senior Independent Director and Chair of the Risk Committee of FCE Bank plc, as well as sitting on the Regulatory Decisions Committee for the Financial Conduct Authority for six years.

1.2 Marcelino Castrillo (CEO)

Marcelino joined Shawbrook as CEO in June 2021. Marcelino has a wealth of financial services experience across both retail and commercial banking, including senior leadership roles at NatWest and Santander in retail and commercial banking. Building on his experience at The Boston Consulting Group, working across multiple sectors and geographies, Marcelino has overseen significant digital and customer-centric transformation during his time at Shawbrook. Marcelino holds an MBA from MIT Sloan School of Management and a Masters in Industrial Engineering (ETSII, Madrid).

1.3 Dylan Minto (CFO)

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 permanent CFO 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.

1.4 Lan Tu (Senior Independent Director)

Lan was appointed to the Board in March 2022. 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. Outside of the Group, Lan is currently also a Non-Executive Director of Paypoint plc and WNS (Holdings) Limited.

1.5 Janet Connor (Independent Non-Executive Director)

Janet was appointed to the Board in May 2022. 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 a Managing Director of Automobile Association Insurance Services Limited. Outside of the Group, Janet is currently also a Non-Executive Director and Chair of Automobile Association Insurance Services Limited, and a Non-Executive Director and Chair of Domestic & General Insurance plc.

1.6 Derek Weir (Independent Non-Executive Director)

Derek was appointed to the Board in July 2024. 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. 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.

1.7 Andrew Didham (Independent Non-Executive Director)

Andrew was appointed to the Board in February 2017. Andrew has extensive financial services experience. He is a fellow of ICAEW, 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. Andrew is currently an Executive Vice Chairman for Rothschild, the Chairman of NMR Pension Trustee Ltd, Non-Executive Director of each of IG Group Holdings plc, IG Index Limited, IG Markets Limited and IG Trading and Investments Limited, and Chairman of GCP Infrastructure Investment Ltd.

1.8 Michele Turmore (Independent Non-Executive Director)

Michele was appointed to the Board in October 2019. 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 several banks, including Lloyds TSB, Harrods and Allica. Michele is currently a Non-Executive Director and Risk Committee Chair of Davies Broking Services Limited, Davies MGA Services Limited and Davies Intermediary Support Services Limited. She is also a Non-Executive Director, and Chair of the Remuneration Committee of Northern Bank Limited.

1.9 Cédric Dubourdieu (Institutional Non-Executive Director)

Cédric was appointed to the Board in September 2017. Cédric has 24 years of private equity experience, having led a number of investments in a variety of sectors across Europe. He holds a degree from École Polytechnique, Paris. Cédric is a Partner of private equity firm BC Partners and sits on BC Partners' Investment Committee for relevant investment opportunities. BC Partners is an affiliate of Marlin. Outside of the Group, Cédric is also a board member of Davies Group, a leading provider of services to the insurance sector and other regulated sectors and Havea Group, Europe's natural health leader.

1.10 Lindsey McMurray (Institutional Non-Executive Director)

Lindsey was appointed to the Board in April 2010. Lindsey has been a private equity investor for over 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 an MPhil in Finance from Strathclyde University. Lindsey is Managing Partner of Pollen Street Capital and is Chair of their Investment Committee. Outside of the Group, Lindsey is also a Non-Executive Director of several Pollen Street portfolio companies.

2. Senior Managers

In addition to the Directors, the current members of the senior executive team with responsibility for day-to-day management of the Group are set out below. The business address of each of the Senior Managers (in such capacity) is Lutea House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE.

2.1 Neil Rudge (Chief Banking Officer, Commercial)

Neil joined the Group in September 2017, and since then has headed up the Group's specialist lending division, SME lending proposition and, since 2021, has led the Group's Commercial franchise as its Chief Banking Officer. Neil has over 25 years of experience in the banking industry with NatWest Bank, Royal Bank of Scotland and Santander Global Banking & Markets. Since 2003 Neil has held Managing Director level positions across client coverage, sector coverage, real estate finance, structured finance, interest rate derivative and FX sales. In addition, Neil is a trustee of a social inclusion charity, School of Hard Knocks, and a Non-Executive Director of a Registered Social Landlord, Moat Homes Limited.

2.2 Miguel Sard (Chief Banking Officer, Retail)

Miguel joined Shawbrook in September 2024 to take on the new role of Chief Banking Officer, Retail, and to build the Group's Retail franchise. Miguel has deep international and domestic experience across wealth management, insurance and retail banking. Prior to joining Shawbrook, Miguel was Managing Director at NatWest where he had responsibility for the Bank's £200bn UK mortgage portfolio. Miguel has also held a number of non-executive and advisory roles, including as Chairman of Santander Insurance UK, as well as at both UK Finance and the Council of Mortgage Lenders.

2.3 Daniel Rushbrook (General Counsel)

Daniel qualified as a solicitor in 1995 and worked in commercial private practice in the City for nine years, first with Linklaters LLP then Macfarlanes LLP. In 2004, he became the first in-house lawyer for Commercial First Mortgages Limited, joining its Board as Legal Director a year later. Daniel transferred to Shawbrook in 2011, as part of the Commercial First management team.

2.4 Hugh Fitzpatrick (Chief Risk Officer)

Prior to joining Shawbrook in 2015, Hugh worked in various Credit and Risk roles at GE Capital, the finance arm of General Electric Inc. He joined GE Capital in 2003 and held the following notable roles: Chief Risk Officer for the Factoring and ABL Platforms in Europe; Chief Credit Officer of GE Capital UK; Head of Enterprise Risk; and, most recently, Chief Risk Officer of GE Capital UK.

2.5 Arthur Leung (Chief Technology Officer)

Arthur joined Shawbrook in the newly created role of Chief Product Officer in February 2022. Now in the role of Chief Technology Officer, Arthur is responsible for the scalable and adaptive technology infrastructure that underpins the Group's 'best of both' model. Arthur has previously worked across a breadth of leading organisations including Barclays, Accenture, fast-growth payment card specialist Curve, top-tier consultancies, including fintech-focused 11:FS and, most recently, Advent International.

2.6 Debbie Griffin (Chief People and Marketing Officer)

Debbie joined Shawbrook as Chief People Officer in May 2016, before taking on her current role of Chief People and Marketing Officer in 2021. Debbie joined Shawbrook from Société Générale where she spent five years; latterly in the position of Head of HR for EMEA. Prior to Société Générale Debbie spent time at a number of Financial Institutions including Rabobank, Commerzbank and JP Morgan. She started her career with ICI in the North East.

2.7 Jo Grobel (Chief of Staff)

Jo joined Shawbrook in September 2015, initially as an in-house lawyer before undertaking various roles in the CEO Office and taking on her current role of Chief of Staff in 2021. Prior to joining Shawbrook, Jo qualified into the corporate banking team at Norton Rose Fulbright where she spent nine years, advising borrowers and lenders on cross-border transactions, and undertaking secondments at both NatWest and in the NRF Paris office.

3. The Board and Corporate Governance

The UK Corporate Governance Code does not apply to the Company as at the date of this Registration Document. However, the Company recognises the value of a strong approach to corporate governance and takes account of the UK Corporate Governance Code's principles and provisions on a voluntary basis when making decisions. The Group's FY 2024 Annual Report and Accounts reported against the UK Corporate Governance Code for the 2024 financial year.

3.1 The Board

The Board is responsible for leading and controlling the Group and has overall authority for the management and conduct of the business of the Group. The Board is also responsible for approving strategic plans, financial statements, acquisitions and disposals, major contracts, projects and capital expenditure.

As at the date of this Registration Document, the Board consists of the Non-Executive Chairman, two Executive Directors, five independent Non-Executive Directors and two Institutional Non-Executive Directors.

3.2 Board committees

As at the date of this Registration Document, the Board has established the following principal committees: an Audit Committee, a Remuneration Committee, a Nomination and Governance Committee and a Risk Committee, in each case whose terms of reference are documented formally and updated as necessary. The Board has also established a Disclosure Committee and an Acquisitions and Divestments Committee, which meet on an as-needed basis.

If the need should arise, the Board may establish additional committees as appropriate.

3.2.1 Audit Committee

The responsibilities of the Audit Committee include: (i) considering and making recommendations to the Board regarding the appointment, re-appointment or removal of, and overseeing the Company's relationship with, the Company's external auditor; (ii) ensuring that the Group's audit services contract is put out to tender at least once every ten years, and overseeing the tender process; (iii) monitoring and reviewing the statutory audit of the Company's annual and consolidated accounts; (iv) monitoring and assessing the Company's financial reporting procedures, and the integrity of the financial statements of the Company; (v) reviewing the annual report and financial statements of the Company; (vi) where requested by the Board, reviewing the content of the annual report and accounts and providing advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; (vii) monitoring and reviewing the effectiveness of the activities of the internal audit function; and (viii) reviewing the adequacy and security of the Group's whistleblowing policy and arrangements.

The Audit Committee is chaired by Andrew Didham and its other members are Lan Tu, Janet Connor, Lindsey McMurray, Cédric Dubourdieu, Derek Weir and Michele Turmore. The Audit Committee met five times in 2024.

3.2.2 Remuneration Committee

The responsibilities of the Remuneration Committee include: (i) determining, for onward recommendation to the Board and Marlin, the Group's overall remuneration policy, including the Directors' remuneration policy; (ii) determining, within the remuneration policy approved by the Board and Marlin, the level and structure of remuneration arrangements for the Chair of the Board, the Executive Directors, members of the executive committee and other material risk takers, including salary, incentive and pension arrangements, and other benefits in kind, as well as for approving any material amendments to their respective service agreements; and (iv) approving the design of any variable incentive schemes and making recommendations to the Board and Marlin as to whether allocations of shares or other awards under the Group's incentive schemes should be made.

The Remuneration Committee is chaired by Michele Turmore and its other members are John Callender, Lan Tu, Lindsey McMurray, Cédric Dubourdieu and Derek Weir. The Remuneration Committee met four times in 2024.

3.2.3 Nomination and Governance Committee

The responsibilities of the Nomination and Governance Committee include: (i) reviewing the composition of the Board and its committees, leading the process for appointments to the Board and making recommendations to the Board with regard to any changes; (ii) overseeing succession planning; (iii) reviewing the Group's senior managers and certification regime recruitment policy and identifying candidates to fill senior management vacancies as they arise; (iv) overseeing and monitoring the corporate governance framework of the Group; and (v) monitoring the Company's compliance with the UK Corporate Governance Code and recommending to the Board any changes which are considered to be necessary or desirable.

The Nomination and Governance Committee is chaired by John Callender and its other members are Lan Tu, Janet Connor, Lindsey McMurray, Cédric Dubourdieu, Andrew Didham, Michele Turmore and Derek Weir. The Nomination and Governance Committee met three times in 2024.

3.2.4 Risk Committee

The 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. The Risk Committee is responsible for reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group.

The Risk Committee is chaired by Derek Weir and its other members are Lan Tu, Janet Connor, Lindsey McMurray, Cédric Dubourdieu, Andrew Didham and Michele Turmore. The Risk Committee met six times in 2024.

3.2.5 Disclosure Committee

The Disclosure Committee assists and advises the Board on the timely and accurate disclosure by the Company of information which is required to be disclosed to satisfy the Company's regulatory obligations and in connection with requirements arising from the listing of the Company's securities on relevant stock exchanges.

The Disclosure Committee is chaired by Marcelino Castrillo and its other members are Dylan Minto and Daniel Rushbrook. The Disclosure Committee did not meet in 2024.

3.2.6 Acquisitions and Divestments Committee

The Acquisitions and Divestments Committee provides guidance to management on potential material acquisitions and divestments and, where appropriate, makes recommendations to the Board and Marlin.

The Acquisitions and Divestments Committee is chaired by John Callender and the Committee's membership comprises the whole Board and Hugh Fitzpatrick. The Acquisitions and Divestments Committee met once in 2024.

PART VIII

OPERATING AND FINANCIAL REVIEW

The following is a discussion and analysis of the Group's results of operations and financial condition as of and for FY 2022, FY 2023 and FY 2024, and as of and for the six months ended 30 June 2024 ("**H1 2024**") and the six months ended 30 June 2025 ("**H1 2025**") and together with FY 2022, FY 2023, FY 2024 and H1 2024, the "**period under review**") and should be read together with the rest of this Registration Document, including (i) Part I (*Risk Factors*) of this Registration Document, (ii) Part II (*Presentation of Financial and Other Information*) of this Registration Document, and (iii) Part IX (*Historical Financial Information*) of this Registration Document.

Unless otherwise indicated, the historical and other financial data presented in the following tables have been derived from the historical consolidated financial information of the Group included in this Registration Document at Section B of Part IX (*Historical Financial Information*) and the interim financial information of the Group included in Section D of Part IX (*Historical Financial Information*). For purposes of the comparative discussion in this section, the figures used for the comparisons between FY 2023 and FY 2022, separately, FY 2024 and FY 2023 are based on the Financial Statements, and separately, H1 2025 and H1 2024, are based on the unaudited financial statements for such periods.

The following discussion includes forward-looking statements that reflect the Group's plans, estimates and beliefs, and although based on assumptions that the Group considers reasonable, are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those expressed or implied by the Forward-looking Statements. For a discussion of some of those risks and uncertainties see "*8. Forward-looking statements*" in Part II (*Presentation of Financial and Other Information*) and Part I (*Risk Factors*) in this Registration Document. Further, the Group's audited consolidated financial statements and the other historical financial information included in this Registration Document do not necessarily indicate the Group's future results of operations, financial position and cash flows.

Financial information presented in parentheses or preceded by a minus sign in the following tables denotes a negative amount. Certain numerical data, financial information and market data in this Registration Document have been rounded in accordance with commercial rounding. Unless otherwise indicated, all financial information presented in the text and tables in this section of the Registration Document is shown in thousands or millions of pounds, commercially rounded to the nearest thousand or million, as applicable. Unless otherwise indicated, percentage changes and ratios in the text and tables of this Registration Document are calculated based on the underlying numbers as presented in this Registration Document, *i.e.*, after rounding of such underlying numbers, and then commercially rounded to a whole percentage or to one digit after the decimal point. In some instances, such rounded figures and percentages may not add up to 100 per cent. or to the totals or subtotals contained in this Registration Document. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures contained in this Registration Document due to rounding in accordance with commercial rounding. A dash ("—") signifies that the relevant figure is not available or equal to zero, while a zero ("0") or nil signifies that the relevant figure has been rounded to zero.

1. Overview

The Group is a differentiated UK digital banking platform, combining scale and diversity across large and growing markets, sophisticated underwriting and credit excellence, next generation technology and data capabilities, an entrepreneurial culture and selective, value-accretive M&A to deliver high growth and high returns at scale.

The Group operates its lending business via two core customer franchises – Commercial and Retail. The Commercial franchise brings together the Group's SME and Real Estate propositions, which together provide loans to UK SMEs, experienced professional landlords and professional property investors to seize growth opportunities and finance key events. The Group's Retail franchise comprises its Retail Mortgage Brands proposition, offering a range of owner-occupied and buy-to-let mortgage products, and its Consumer Finance proposition, which provides unsecured personal loans and motor finance in the specialist mass market and luxury high-end vehicle segments.

The Group benefits from a stable, scalable and diversified funding platform, underpinned principally by retail customer deposits and supplemented by access to wholesale markets and securitisation programmes that are utilised to generate incremental liquidity as required. The Group's prudent and disciplined capital management has enabled it to expand its loan portfolio significantly since 2011, both organically and through selectively executed, return-accretive acquisitions. Throughout this period, the Group has consistently produced strong underlying returns on tangible equity and robust growth in profit before tax, while preserving a sound regulatory capital and liquidity position that provides headroom for further expansion. From FY 2013 to the end of FY 2024, the Group achieved a median underlying return on tangible equity of approximately 20 per cent., despite varying interest rate environments, challenging macroeconomic conditions and normal cyclical fluctuations, and simultaneously delivered a CAGR of 30 per cent. in underlying profit before tax over the same period.

The Group is led by an experienced, entrepreneurial and innovative management team, with a combination of expertise in specialist lending, financial markets, technology and data, risk management and institutional and regulatory banking. The Company's Executive Committee is responsible for developing and effectively implementing the Group's strategy and delivering on its purpose. The Group had an average of 1,585 employees⁸⁹ in its financial year ended 31 December 2024, of which approximately 19 per cent. were dedicated to product, technology and data functions, demonstrating the Group's commitment to the continued development of its digital, technology and data capabilities.

The principal activity of the Company is to act as the holding company of the Group. The principal operating subsidiary of the Group is Shawbrook Bank, a banking institution which is authorised by the PRA and regulated by the PRA and the FCA and is a member of the FSCS. The Group's other operating subsidiaries are specialist mortgage providers TML and BML, and JBR Capital, an independent finance lender dedicated to high-end luxury vehicle finance. TML, BML and JBR Capital are authorised and regulated by the FCA.

2. Current trading and recent developments

2.1 Current trading

Since 30 June 2025, the Group has continued to focus on its core specialist markets and has seen a strong level of organic originations, which were approximately £1 billion for the two-month period ended 31 August 2025, with the loan book increasing to £16.2 billion (excluding structured asset sales) and £17.4 billion (including structured asset sales), each as at 31 August 2025. The Group remains focused on deepening its presence in key markets, driving operational efficiency, and optimising capital to support sustainable growth.

The above preliminary results for the two-month period ended 31 August 2025 have been prepared by, and are the responsibility of, the Group's management and are based solely on preliminary internal information. During the course of the Group's financial statement closing process, items could be identified that require adjustments to be made that could affect the results discussed above. As these results are preliminary, they could change significantly, and may not be indicative of the financial quarter or any other period. See Part I (Risk Factors) for further information regarding certain factors that could affect the Group's future performance and results of operations.

⁸⁹ Average number of persons employed by the Group, calculated in accordance with the requirements of section 411 of the Companies Act 2006.

2.2 Recent developments

2.2.1 UK Supreme Court decision in *Wrench*

Following the UK Supreme Court's decision in *Wrench*, the FCA announced that it would consult on an industry-wide redress scheme to compensate motor finance customers with respect to DCAs and undisclosed commission arrangements in regulated motor finance transactions. The FCA has stated that it will publish the consultation by early October 2025 and finalise any scheme in time for consumers to start receiving compensation in 2026. The Group continues to assess its exposure to historical regulated motor finance lending; however, based on its initial conclusions from its ongoing assessment, the Group expects its potential redress liability to be immaterial. This conclusion is based on, among other things: (i) the Group's historically low volumes of regulated motor finance; (ii) management's assessment of distinguishing factors between the Group's motor finance arrangements to the case of Mr Johnson which was upheld in *Wrench*; and (iii) modelled complaint and uphold rates. Further information on the recent focus on commission arrangements in the motor finance industry and the Group's views on its potential exposure to any redress liability is set out in section 3.4.2 of Part V (*Market Overview*) and Note 39.2 of Section B of Part IX (*Historical Financial Information*).

2.2.2 ThinCats Acquisition

On 30 September 2025, the Group completed its acquisition of the entire issued share capital of ThinCats, a leading UK FinTech specialist lender with a strong track record in providing bespoke funding to established, growth-focused SMEs. The ThinCats Acquisition represents a strategic investment in accelerating the growth of the Group's existing presence in the specialist SME lending market, underlining the Group's commitment to supporting UK SMEs with highly tailored finance facilities and relationship-led service. For further information on the ThinCats Acquisition, please refer to section 5.5 of Part IV (*Business Overview*). A summary of the key acquisition agreements in connection with the ThinCats Acquisition is set out in section 15.2 of Part XI (*Additional Information*).

3. Key factors affecting the Group's results of operations

The following provides an overview of the principal market-related external factors and business-related operational factors which, in the Group's view, have affected the results of the Group during the period under review or may in the future affect the results of the Group.

3.1 Operating environment

The Group's operations are based entirely in the United Kingdom and its revenue is derived almost entirely from the United Kingdom. The Group's business is impacted by the UK macroeconomic environment, such as the general business and economic conditions in the United Kingdom, as well as the broader international macroeconomic environment, and by the way these conditions affect the demographic group that is most likely to make use of the Group's various products.

Following a period of subdued economic activity in late 2024, the UK economy has exhibited modest signs of recovery. As per the Organisation for Economic Co-operation and Development, gross domestic product (“**GDP**”) growth is forecast to reach 1.3 per cent. for 2025, with a gradual slowdown anticipated back to approximately 1.0 per cent. in 2026.⁹⁰ However, any recovery remains uneven across sectors, with certain industries—particularly those exposed to external trade—facing ongoing headwinds. Notably, sustained U.S. tariffs are expected to reduce UK GDP by approximately 0.1 per cent. by 2026, and combined with the effects of global trade tensions, are expected to reduce UK GDP by approximately 0.3 per cent., underscoring the persistent impact of global trade uncertainties on the domestic economic landscape.

Inflationary pressures have also been a defining feature of the operating environment. The headline inflation rate tracked by the Bank of England (“**BoE**”) increased to 3.5 per cent. in Q2 2025, and is projected to gradually abate towards the BoE’s 2 per cent. target by 2027. However, core and services inflation remain persistently elevated, presenting ongoing risks to price stability and influencing both consumer and business sentiment. In response, the BoE has maintained the Bank Rate at 4 per cent. as at 18 September 2025. Such monetary policy adjustments have a direct bearing on the Bank’s net interest margin, funding costs, and the demand for both lending and deposit products.

Additionally, labour market conditions are one of the key determinants of credit quality and loan demand. As per the Office for National Statistics, the UK unemployment rate rose to approximately 4.7 per cent. for the three months ended 31 May 2025, reflecting cooling demand in the services sector and a decline in business investment.⁹¹ While the UK labour market remains relatively resilient by historical standards, the Group continues to monitor these trends closely, recognising that any sustained deterioration in employment or consumer confidence could adversely affect asset quality and the Bank’s overall results of operations.

The UK housing and property markets, which significantly influence the Bank’s collateral values and credit demand, have shown tentative signs of recovery in mid-2025. According to a recent report, UK house prices rose by approximately 0.6 per cent. in July, bringing annual growth to approximately 2.4 per cent.⁹² The Bank’s exposure to residential and commercial property markets is managed through prudent underwriting standards and ongoing portfolio monitoring. The Directors believe that a stable and gradually recovering property market will support continued demand for the Bank’s mortgage products and support the quality of its secured loan book.

Further, the competitive landscape in UK banking remains intense, with established large and medium-sized banks, building societies, challenger and specialist banks, non-bank lenders and digital/neo bank entrants all competing for market share. Pricing dynamics, product innovation, and service quality continue to influence the Bank’s ability to attract and retain customers. The Directors believe that the Group’s ongoing investment in technology and customer experience will help enhance its competitive position and boost its current growth trajectory.

Regulatory developments remain a central consideration for the Group’s operating environment. The PRA and FCA continue to emphasise financial stability, consumer protection, and operational resilience. Recent regulatory initiatives, including the phased implementation of Basel 3.1 standards and enhanced requirements for climate-related disclosures, have necessitated ongoing investment in risk management and compliance infrastructure. The Directors believe that the Group’s strong capital and liquidity position provides a solid foundation to navigate the evolving regulatory landscape and support future growth.

⁹⁰ OECD, Economic Outlook, Volume 2025 Issue 1

⁹¹ ONS, Labour Market Overview, UK: July 2025

⁹² Nationwide, House Price Index (July 2025)

3.2 Loan book growth

The Group's loan book grew from £10.5 billion as at 31 December 2022 to £13.3 billion as at 31 December 2023, to £15.2 billion as at 31 December 2024, and to £15.8 billion as at 30 June 2025. Net growth in the loan book is driven by a combination of new loan origination and, to a lesser extent, retention of existing loans (net of loan repayments) and has a significant impact on the Group's Net Operating Income. The Group's ability to originate new loans as well as retain its existing loans (net of repayments) will continue to drive its overall revenue through interest income. The Group expects to grow its balance sheet not only through its existing origination capabilities but also through growth in its existing markets and expansion into new and adjacent lending products.

The expansion of the Group's loan book has been driven by several factors, including the Group's ongoing strategic technology investment and digitalisation of its customer journeys, product development and increased distribution through selected partnerships. In turn, this growth has contributed to net interest income increasing from £459.7 million for FY 2022 to £590.9 million for FY 2024, and has also contributed to profit after tax attributable to owners increasing from £174.7 million for FY 2022 to £219.9 million for FY 2024. The Group's net interest income increased from £289.3 million for H1 2024 to £310.9 million for H1 2025, and profit after tax attributable to owners for the same period increased from £94.0 million to £119.5 million.

The Group aims to use its diversified offering to support clearly defined customer groups in carefully selected markets and deliver innovative lending propositions which are tailored to meet specific and often event-driven funding needs. A core part of this strategy is focused on ensuring that the Group continues to deliver excellent experiences and positive outcomes for its customers. With a view to supporting the Group's customer retention strategy, the Group introduced its new real estate fix and switch offering in July 2024, providing customers with a more streamlined process to secure a new fixed rate during the life of their loan. In addition, the Group also focuses on attracting the best technology and banking talent and fostering a culture that drives innovation and agility by leveraging digital capabilities to help deliver consistent balance sheet growth.

With a view to driving further business volumes and to staying ahead of customer needs and expectations, during FY 2024 and H1 2025, the Group also undertook various new initiatives, including: (i) completing the JBR Acquisition and relaunching its offerings in the high-end vehicle finance market, adding to the Group's loan book; (ii) launching the Group's Structural Real Estate proposition, offering professional landlords a more bespoke, relationship-led service for complex transactions up to £35 million; (iii) expanding the Group's Lending Hub origination platform, which now supports 57 per cent. of the Group's Real Estate cases; and (iv) fully launching its new digital savings platform in February 2025, which gives the Group control of the customer experience and is designed to offer intuitive customer journeys and clear information with a view to reduce the need for customers to call the Group's customer service teams for day-to-day support. In addition, on 30 September 2025, the Group completed its acquisition of the entire issued share capital of ThinCats.

The Group has also established strong distribution channels in each of its targeted lending markets and has been recognised for providing expertise, superior customer service and flexible, straightforward products.

3.3 Interest rate environment

The macroeconomic and geopolitical environment in the United Kingdom remains characterised by a combination of persistent inflationary pressures, evolving monetary and fiscal policy, and ongoing geopolitical uncertainties, all of which continue to shape the operating landscape for financial institutions such as Shawbrook Bank. The UK economy has experienced moderate growth in 2025, with inflation rates remaining above the BoE long-term target of 2 per cent., driven in part by elevated energy prices and increases in other household bills. As per the BoE's Financial Stability Report (July 2025), overall, the UK banking system is resilient to the currently uncertain economic outlook. The BoE has responded to these inflationary dynamics by maintaining the Bank Rate at 4 per cent. as at 18 September 2025.

Changes in interest rates are driven by macroeconomic and monetary policy factors outside the Group's control, including decisions by the BoE with respect to the Bank Rate and market expectations of the future rate environment. Rate adjustments by the BoE have a direct impact on both retail and commercial lending markets across England, Scotland and Wales, resulting in changes in borrowing costs for consumers and businesses, as well as changes in savings rates for deposits. The Group accordingly calibrates its lending criteria and risk management practices, particularly in the mortgage and small business lending segments, while also leveraging opportunities to enhance net interest margins. In this context, the Group's ongoing investment in digital tools and online banking platforms has enabled it to respond with agility to changing customer preferences and market conditions, supporting both operational efficiency and customer engagement. Such fluctuations in interest rates could, in some circumstances, reduce the Group's interest income and net interest margin and, therefore, its profitability. The period from FY 2022 to FY 2024 was characterised by a rising Bank Rate as part of the BoE's efforts to reduce inflationary pressures in the UK economy. These increases contributed to higher funding costs for the Group offset by increased interest income on interest-bearing assets, while also affecting customer demand for lending and deposit products. However, commencing in the second half of FY 2024, the Bank Rate began decreasing, which led to a reduction in the Group's funding costs and an increase in customer demand for the Group's lending products.

The Board continues to monitor macroeconomic and regulatory developments closely, with a focus on maintaining prudent capital and liquidity positions, and remains committed to leveraging technology to drive sustainable growth and resilience across the Group's core markets.

Net interest income is the largest component of the Group's net operating income, accounting for 96.5 per cent., 98.3 per cent., 96.9 per cent., 99.6 per cent. and 92.7 per cent. of total operating income in the financial years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, respectively. The Group's net interest income for the years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, was £459.7 million, £576.5 million, £590.9 million, £289.3 million and £310.9 million, respectively. Further, the Group's net operating income for the financial years ended 31 December 2022, 2023, and 2024 and the six months ended 30 June 2024 and 2025, was £476.2 million, £586.5 million, £609.8 million, £290.5 million and £335.5 million, respectively.

The Group's ability to grow its net interest income, and consequently its profitability, depends on both the growth of its interest-bearing assets and the net interest margin achieved. The Group's net interest margin, defined as net operating income divided by its average principal employed for a given period, broadly reflects the spread between the interest rates earned on assets and the cost of funding those assets. Interest income is determined by, among other factors, the rates charged on the loans and the fees payable by borrowers, net of any commissions paid to intermediaries. Funding costs are influenced by, among other factors, the interest rate payable on customer deposits and other sources of funding.

Competitive dynamics within the UK banking market can also influence asset and deposit yields and, in turn, net interest margins. While competition among lenders can place downward pressure on margins, the Group has sought to mitigate margin compression while maintaining strong levels of balance sheet growth. The Group's strategy is to focus on lending in specialist sectors within the UK banking market that are less dominated by large high street banks, where more bespoke solutions are valued. The Directors believe that by offering flexibility, certainty and a premium customer experience in these sectors, the Group is able to achieve higher margins than those generally available to lenders who focus only on lending in mainstream lending markets. In addition, the Group seeks to manage potential increases in funding costs through a combination of initiatives, including the development of multiple deposit partnerships to ensure access to a diversified funding base, the originate-to-distribute strategy for Retail Mortgage Brands and the active management and investment of its liquid resources.

The growth in the Group's balance sheet has primarily led to an increase in net operating income from £476.2 million in FY 2022 to £609.8 million in FY 2024. Following a sustained period of Bank Rate increases by the Bank of England during 2022 and 2023, Bank Rate peaked at 5.25 per cent. for the twelve-month period ending 1 August 2024. The Group's net interest margin (which, amongst others, also accounts for net gains on structured asset sales) remained broadly stable through this period, decreasing to 4.9 per cent. in FY 2023 from 5.1 per cent. in FY 2022 as higher funding costs following increases to the Bank Rate were largely offset by increased interest income on the Group's lending products. The reduction in net interest margin was primarily on account of there being no structured asset sales during the relevant period.

The Group's net interest margin decreased from 4.9 per cent. in FY 2023 to 4.3 per cent. in FY 2024 due to various factors, including an increased cost of retail deposit funding as repricing across the deposit market has lagged reductions in market rates, constrained margins in certain lending markets in the elevated rate environment, competitive pressures and expectations of longer-term rate reductions, and a shift in business mix driven by book growth in the Group's Retail Mortgage Brands. The Group's net interest margin increased from 4.2 per cent. in H1 2024 to 4.4 per cent. in H1 2025, largely as a result of the Group's offering of structured asset sales with reductions in interest income from the Group's interest-bearing assets largely offset by reductions in the Group's funding costs.

3.4 Asset quality

Defaults by the Group's customers on their loan payment obligations could adversely affect the Group's balance sheet and results of operations. In accordance with the Group's accounting policy, impairment of financial assets is 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 comprehensive income ("FVOCI") and for its loan commitments. Measurement of ECLs depends on the 'stage' the financial asset is allocated to based on changes in credit risk occurring since initial recognition. For instance, an asset is classified as stage 3 when there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, and in such cases, the Group recognises a lifetime ECL. Lifetime ECL are ECLs that result from all possible default events over the behavioural life of a financial instrument, and 12-month ECL are 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 (recognised in the case of assets classified as Stage 1 and Stage 2).

The carrying amounts of loans and advances to customers which were classified as stage 3 made up 2.7 per cent., 2.8 per cent. and 3.7 per cent. of the gross carrying amount of loans and advances to customers for the Group as at 31 December 2022, 2023, and 2024, respectively, and 4.2 per cent. as of 30 June 2025. The increase in the proportion of such loans in the six months ended 30 June 2025 compared to previous periods was largely due to certain accounts in the Group's SME segment migrating from being re-categorised from Stage 2 to Stage 3 and certain late repayments in the Group's Retail Mortgage Brands segment. With respect to such loans in the Group's Retail Mortgage Brands segment, the Group has seen an emergence of arrears as the loans on the books progress through their lifecycle to stabilised performance. Further, the Group tracks its arrears by using the 'arrears ratio' measure, which it calculates as the gross loan balance as of the end of the period for of all accounts which are delayed in making more than three contractual payments divided by the total gross loan balance of all accounts.⁹³

The arrears ratio of the Group has remained relatively stable over the period in review, being 1.1 per cent. at 31 December 2022, 1.4 per cent. at 31 December 2023, 1.7 per cent. at 31 December 2024 and 1.9 per cent. at 30 June 2025. In addition, as at 30 June 2025, 95 per cent. of the Group's loan accounts were up to date, and the Group's credit-impaired mortgage assets held in the Real Estate and Retail Mortgage Brands lending segments had a weighted average loan-to-value ratio of 67 per cent. as at 30 June 2025. As a percentage of the Group's average principal employed on an annualised basis, impairment losses remained relatively stable and, despite the underlying loan book growth, the cost of risk for FY 2022 ((0.51) per cent.) remained at (0.51) per cent. for FY 2023 and decreased to (0.47) per cent. for FY 2024. The cost of risk for H1 2024 was (0.64) per cent. and decreased to (0.42) per cent. for H1 2025. The Group's impairment losses have grown in absolute sterling amounts during the period under review as the balance sheet has grown and the loan books have begun to season and reflect management's prudent application of a provisioning policy aligned to stress scenario conditions. The Group recorded total impairment losses on financial assets of £47.7 million, £60.1 million and 67.2 million in FY 2022, FY 2023 and FY 2024, respectively, and £43.8 million and £32.6 million in H1 2024 and H1 2025, respectively.

A deterioration in asset quality, reflected in higher default rates or increased impairments, could materially impact the Group's profitability and capital position. Elevated credit losses may also necessitate higher provisions, reducing earnings and potentially affecting the Group's ability to deploy capital for further growth. Additionally, adverse changes in asset quality could increase regulatory capital requirements and funding costs, further affecting the Group's financial performance and strategic flexibility.

However, the Group actively mitigates credit losses through rigorous credit assessment procedures, diversification in lending across sectors and geographies, robust underwriting standards, and the maintenance of prudent loan-to-value ratios for collateralised lending. These measures, combined with ongoing portfolio monitoring, have supported asset quality and limited the incidence of credit impairment. Notwithstanding the impact of multiple economic shocks and heightened interest rate volatility in the United Kingdom during the period under review, the Group's cost of risk remained steady, reflecting the effectiveness of its risk management framework and disciplined approach to credit origination.

3.5 Strong and sustainable balance sheet structure

The Group is committed to maintaining a strong capital base, under both existing and anticipated future regulatory requirements and under both base case and stressed scenarios. As at 30 June 2025, the Group held a Common Equity Tier 1 capital ratio of 13.1 per cent. and a leverage ratio of 8.1 per cent., in each case calculated as described in section 7 of this Part VIII.

⁹³ In calculating this ratio, the Group does not include (i) loan accounts where terms have expired, (ii) ABL loans or (iii) development finance loans.

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 average monthly liquidity buffer throughout FY 2024 was £3,480.5 million and as at 30 June 2025, the liquidity buffer was £2,641.1 million comprising of cash and withdrawable central bank reserves of £1,549.4 million, central government assets of £55.5 million, covered bonds of £839.3 million and asset backed securities of £196.9 million. The 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 per cent. The Group's NSFR remains above this required level, with a ratio of 128 per cent. as at 30 June 2025.

The Group focuses on achieving a strong and sustainable balance sheet structure to support its lending growth. The Group's 2024 origination volumes drove balance sheet loan growth with the Group's loan book closing at £15.2 billion as at 31 December 2024 and £15.8 billion as at 30 June 2025.

The Group's lending activities are predominantly funded through retail deposits, representing 82.3 per cent. of total liabilities and equity as at 30 June 2025 and wholesale funding, with 7.0 per cent. primarily drawn under the ILTR, where the Group pledges certain eligible assets as collateral to enable drawdown from such schemes. Further, the Group has implemented an originate-to-distribute strategy by securitising mortgages into unconsolidated structured entities, and this creates additional funding and capital capacity to originate new loans whilst also providing attractive and additional fee income for the Group. However, adverse market conditions, such as those experienced in 2022 and 2023, may limit the Group's ability to execute securitisations on acceptable terms or at all.

Market volatility, reduced investor demand, higher funding costs, or regulatory constraints could result in the Group retaining a larger proportion of mortgage assets on its balance sheet, which may increase capital requirements and funding costs, thereby adversely affecting profitability.

3.6 Investment in digitisation and enhancement of distribution channels

The Group's diverse banking platform leverages deep data-driven customer insight and understanding to efficiently acquire, manage and retain both assets and liabilities at scale through its two customer franchises — Commercial and Retail. Various facets of the Group's business such as pricing, underwriting, product configuration and portfolio management are enabled through data analytics, automated where appropriate and augmented with expert human judgement when necessary. Leveraging its expertise in technology, data and product innovation, the Group prioritises the digitalisation of its customer interactions, including the automation of manual processes. The Group utilises efficient cloud-based lending platforms and end-to-end digital distribution in its savings and personal loans segments (with almost 100 per cent. auto-decisioning in personal loans at the initial quote stage). Additionally, it employs a branchless distribution strategy across all products, including motor finance and retail mortgages, which are distributed through its comprehensive dealer and broker networks. The Group also provides technology-enabled finance solutions to growth businesses requiring funding for the acquisition of business assets and to professionals such as solicitors, accountants, and medical professionals to fund professional liabilities. The Group uses digital technology to deliver automated and fast decisions in a market where speed is essential. The Group has a deep understanding of its customers' needs based on approximately 15 years of proprietary customer data. This is built on an infrastructure supported by partnerships with more than 30 technology partners and data providers.

To meet the needs of the Group's defined customer segments, the Group deploys an ever-evolving suite of products through a multi-channel distribution model, including both offline and digital as well as direct and indirect channels. This multi-channel approach to origination, the Group believes, enables the efficient delivery of bespoke services to the Group's expanding customer base. For instance, in the Group's Real Estate business, it has expanded the deployment of its Lending Hub platform, which now processes approximately 57 per cent. of all Real Estate cases and, by integrating application programming interfaces, the Group has delivered a digital experience that has reduced the time to offer by up to 70 per cent. for its digital buy-to-let cases. In addition, in FY 2024, the Group also implemented the PEXA Create Workspace application, which enables the Group to lodge land registry documents and financial settlements electronically. Further, during FY 2024, the Group completed the migration to the cloud of its digital savings platform. As at September 2025, the Group had transitioned approximately 335,000 existing customers to the cloud-based digital savings platform, with the final c.1,000 existing customers now being guided through the transition. The digital savings platform leverages technology to deliver a more intuitive, simplified and efficient customer experience.

AI is also beginning to transform the customer and colleague experience. The Group has advanced the implementation of new cloud contact centre technology across the organisation. This technology incorporates in-depth sentiment analysis, helping the Group's employees to identify customers who may be vulnerable and require additional support. The Group has also embedded generative AI into its software development workflow with auto code completion and explanations increasing productivity for the Group's software, cloud and data engineers. In addition, the Group built and started to roll out a pilot of its own custom chatbot, which enables employees to quickly and easily receive answers to queries relating to criteria and policies.

During the last three financial years, the Group incurred technology spend amounting to £135 million in relation to its investments in technology. The Group's ability to continue to control its operating expenses directly impact its profitability and financial results, and aided by the investments in digitisation, the Directors believe that the Group, in this regard, has maintained a broadly stable cost-to-income ratio and cost:APE ratio over the last three financial years and the six months ended 30 June 2025, as set out below.

	Underlying basis				
	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024	2025
Cost:APE ratio (per cent.)	(2.0)	(1.9)	(1.7)	(1.8)	(1.7)
Cost-to-income ratio (per cent.)....	(40.0)	(38.2)	(40.8)	(42.1)	(40.0)

For a description of the abovementioned measures, please refer to section 7 of this Part VIII.

3.7 Acquisitions

Although the Group's growth has historically been predominantly achieved organically, the Group's business model also includes inorganic growth through acquisitions when the appropriate opportunities arise. As well as successfully purchasing and integrating several business acquisitions, the Group has also purchased a number of loan portfolios in the past, demonstrating its ability and expertise to grow inorganically where opportunities arise that complement the Group's strategy.

While the Group's recent acquisitions may not individually be crucial to the Group's results of operations, the integration of multiple smaller, complementary acquisitions has collectively enhanced the Group's financial performance. The Group has been able to integrate these acquisitions and produce synergies by providing such acquired businesses with access to stable, low-cost funding sources, onboarding them onto the Group's common technology and risk platforms and through bolt-on acquisitions, supporting operational efficiency and scalability. In addition, the acquired businesses have expanded the Group's distribution reach and underwriting expertise, particularly in attractive, higher-margin market segments. This strategic approach to targeted acquisitions has enabled the Group to strengthen its competitive position, diversify its product offering, and support sustainable, long-term growth in line with its overall business objectives.

On 31 May 2023, following the receipt of regulatory and legal approvals, Shawbrook Bank, the Group's principal subsidiary, completed the acquisition of 100 per cent. of the ordinary shares of BML (the "**BML Acquisition**"), making BML a wholly-owned subsidiary of the Group. BML is a specialist mortgage lender focused primarily on residential owner-occupied mortgages. The BML Acquisition added distribution and underwriting capabilities in higher margin residential mortgages, with a focus on serving customers with more complex credit profiles. The Group believes that the BML Acquisition enabled the Group to address an underserved segment. During 2025, the Group completed the operational integration of TML and BML into a single Retail Mortgage business, creating a scalable, uniform platform, leveraging the respective strengths of each brand and their distribution networks.

On 30 September 2024, the Group expanded its motor finance offering into the higher-yielding, lower-risk, high-end luxury segment of the motor finance market by completing the JBR Acquisition. During 2025, the Group re-launched 'JBR Capital' in the high-end luxury vehicle finance market with a strengthened proposition. The Group believes the acquisition of JBR Capital enabled the Group's expansion into the high-end luxury motor finance sector and added specialist distribution and underwriting capabilities. For further details in relation to the JBR SPA, please refer to section 15 of Part XI (*Additional Information*).

On 30 September 2025, the Group completed its acquisition of the entire issued share capital of ThinCats, a leading specialist lender with a strong track record in providing bespoke funding to established, growth-focused SMEs. The ThinCats Acquisition represents a strategic investment in accelerating the growth of the Group's existing presence in the specialist SME lending market. For further information on the ThinCats Acquisition, please refer to section 5.5 of Part IV (*Business Overview*). Further details in relation to the ThinCats Acquisition Agreements are set out in section 15 of Part XI (*Additional Information*).

The Group continues to consider its capital allocation with respect to inorganic growth that is consistent with its strategy and will continue to evaluate value-accretive strategic business and loan portfolio acquisition opportunities from time to time.

4. Description of key income statement line items

Certain individual line items in the consolidated statements of income of the Group prepared in accordance with IFRS are described below:

- **Net operating income:** The net operating income comprises net interest income, net operating lease income, net fee and commission income, net gains on derecognition of financial assets measured at amortised cost, net gains on structured asset sales, net gains/(losses) on derivative financial instruments and hedge accounting, and net other operating income/(expense).
- **Interest income calculated using the effective interest rate method:** Interest income primarily comprises income earned on loans and advances to customers, cash and balances at central banks and investment securities.

For interest-bearing financial instruments measured at amortised cost or at FVOCI, interest income 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, pursuant to which the EIR is based on the fixed rate for the fixed rate period and does not reflect any reversionary interest following the end of the fixed rate period. 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 estimated future cash flows through 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, the Group estimates future cash flows by considering all contractual terms of the financial instrument, excluding the loss allowance recognised on financial assets. Further, 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. For non-credit-impaired financial assets, 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, 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, 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. For derivative financial instruments forming part of a qualifying hedging relationship, the Group recognises net interest income or expense based on the underlying hedged items. 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.

- **Interest expense and similar charges:** Interest expense comprises interest payable on customer deposit accounts, derivative financial instruments, amounts due to banks, debt securities in issue, subordinated debt liabilities and lease liabilities.
- **Operating lease rental income:** 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 classified as operating leases. Assets leased to customers under operating leases are predominantly plant and machinery. Operating lease rental income is recognised in the statement of profit and loss on a straight-line basis over the lease term.
- **Depreciation on operating leases:** 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.
- **Fee and commission income:** Fee and commission income include 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.
- **Fee and commission expense:** Incremental costs incurred to generate fee and commission income are charged to fee and commission expense as they are incurred.
- **Net gains on structured asset sales:** 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. The Group leverages loans originated by TML and BML to drive its originate-to-distribute (OTD) strategy, whereby it originates loans with the intention of securitising them to the wholesale markets when market conditions are favourable. A structured entity is an entity designed so that its activities are not governed by way of voting rights. 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. 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.

- **Net gains on derecognition of financial assets measured at amortised cost:** Derecognition is the point at which the Group ceases to recognise a financial asset or a financial liability on its statement of financial position. 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.
- **Net gains on derivative financial instruments and hedge accounting:** The Group designates certain derivatives 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. Changes in the fair value of derivatives designated as fair value hedges and changes in the fair value of the hedged asset or liability attributable to the hedged risk are recognised in net gains on derivative financial instruments and hedge accounting in the statement of profit and loss.
- **Administrative expenses:** Administrative expenses principally consist of expenses related to intangible assets, payroll-related costs such as in relation to salaries and social security, cash bonus awards, long-term incentive plans, defined contribution pension arrangements and share-based payments, and other administrative expenses such as fees paid to the Group's independent auditors. These expenses are recognised on an accruals basis.
- **Impairment losses on financial assets:** Impairment losses on financial instruments are attributable to the Group's loans and advances to customers and loan commitments. Impairment of financial assets is calculated using a forward-looking ECL model. ECLs are calculated and a loss allowance recorded for all financial assets not held at fair value through profit or loss ("FVTPL") (which relates to those assets held at amortised cost and FVOCI) and for loan commitments. Assets held at FVTPL and equity instruments are not subject to impairment. 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.
- **Provisions:** The Group recognises provisions 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, 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.
- **Tax:** 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. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Deferred tax 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.

5. Results of operations

5.1 Overview

The following table sets out the Group's results of operations for the period under review:

	FY 2022	FY 2023	FY 2024	H1 2024	H1 2025
	Audited	Audited	Audited (£m)	Unaudited	Unaudited
Interest income calculated using the effective interest rate method	588.1	946.0	1,199.3	589.0	619.1
Other interest and similar income	36.2	197.8	187.7	96.1	75.6
Interest expense and similar charges	(164.6)	(567.3)	(796.1)	(395.8)	(383.8)
Net interest income	459.7	576.5	590.9	289.3	310.9
Operating lease rental income	10.1	9.6	8.7	4.4	3.6
Depreciation on operating leases	(8.7)	(8.2)	(7.4)	(3.8)	(3.2)
Net other operating lease income	0.3	0.1	0.1	0.1	0.3
Net operating lease income	1.7	1.5	1.4	0.7	0.7
Fee and commission income	14.1	16.9	16.2	7.4	7.9
Fee and commission expense	(8.6)	(12.6)	(16.1)	(7.2)	(8.0)
Net fee and commission income	5.5	4.3	0.1	0.2	(0.1)
Net gains on structured asset sales	-	-	14.1	-	23.3
Net gains on derecognition of financial assets measured at amortised cost	7.7	-	-	-	-
Net (losses)/gains on derivative financial instruments and hedge accounting	(0.8)	5.1	1.9	0.3	(1.0)
Net other operating income/(expense)	2.4	(0.9)	1.4	-	1.7
Net operating income	476.2	586.5	609.8	290.5	335.5
Administrative expenses	(194.7)	(226.6)	(252.8)	(125.2)	(139.8)
Impairment losses on financial assets	(47.7)	(60.1)	(67.2)	(43.8)	(32.6)
Provisions	(0.8)	(13.1)	5.3	5.6	-
Total operating expenses	(243.2)	(299.8)	(314.7)	(163.4)	(172.4)
Profit before tax	233.0	286.7	295.1	127.1	163.1
Tax	(58.3)	(74.6)	(75.2)	(33.1)	(43.6)
Profit after tax, attributable to owners	174.7	212.1	219.9	94.0	119.5

5.2 Comparison of the Group's results of operations for FY 2022 and FY 2023

5.2.1 Interest income calculated using the effective interest rate method

Interest income calculated using the effective interest rate method increased by £357.9 million, or 60.9 per cent., from £588.1 million in FY 2022 to £946.0 million in FY 2023, mainly as a result of (i) an increase in the volume of the Group's loans and advances to customers from £10.5 billion as at 31 December 2022 to £13.3 billion at 31 December 2023 due to increased originations in the Group's core SME and property markets, as well as inclusion of the loans the Group acquired as part of the BML Acquisition and (ii) repricing of portfolios reflecting increases in the Bank Rate and interest rate hedging programmes.

5.2.2 Other interest and similar income

Other interest and similar income increased by £161.6 million, or 446.4 per cent., from £36.2 million in FY 2022 to £197.8 million in FY 2023, mainly as a result of an increase in other interest and similar income on derivative financial instruments from £8.2 million in FY 2022 to £161.2 million in FY 2023.

5.2.3 Interest expense and similar charges

Interest expense and similar charges increased by £402.7 million, or 244.7 per cent., from £(164.6) million in FY 2022 to £(567.3) million in FY 2023 mainly on account of (i) an increase in customer deposits from £10.9 billion as at 31 December 2022 to £13.6 billion as at 31 December 2023, which resulted in an increase in interest expense and similar charges on customer deposits from £(132.4) million for FY 2022 to £(409.4) million for FY 2023, (ii) the increase in the Bank Rate and (iii) the increase in the interest expense and similar charges on amounts due to banks from £(18.3) million in FY 2022 to £(58.5) million in FY 2023.

5.2.4 Net interest income

Net interest income increased by £116.8 million, or 25.4 per cent., from £459.7 million in FY 2022 to £576.5 million in FY 2023, mainly as a result of the increase in interest income, which was offset in part by an increase in interest expense as set out above.

5.2.5 Operating lease rental income

Operating lease rental income decreased by £0.5 million, or 5.0 per cent., from £10.1 million in FY 2022 to £9.6 million in FY 2023, mainly as a result of lower carrying amounts of assets on operating leases and an increase in the depreciation on operating leases.

5.2.6 Depreciation on operating leases

Depreciation on operating leases decreased by £0.5 million, or 5.7 per cent., from £(8.7) million in FY 2022 to £(8.2) million in FY 2023, mainly as a result of an increase in the depreciation charge for the year and operating lease costs.

5.2.7 Net operating lease income

Net operating lease income decreased by £0.2 million, or 11.8 per cent., from £1.7 million in FY 2022 to £1.5 million in FY 2023, mainly as a result of the decrease in the operating lease rental income and the increase in depreciation on operating leases and the decrease in the net other operating lease expense.

5.2.8 Fee and commission income

Fee and commission income increased by £2.8 million, or 19.9 per cent., from £14.1 million in FY 2022 to £16.9 million in FY 2023, mainly as a result of an increase in the fee income earned on loans and advances to customers and credit facility-related fees.

5.2.9 Fee and commission expense

Fee and commission expense increased by £4.0 million, or 46.5 per cent., from £(8.6) million in FY 2022 to £(12.6) million in FY 2023, mainly as a result of increases in the savings commissions, operational losses, credit search costs and fees in relation to loans and advances to customers.

5.2.10 Net fee and commission income

Net fee and commission income decreased by £1.2 million, or 21.8 per cent., from £5.5 million in FY 2022 to £4.3 million in FY 2023, mainly as a result of an increase in fee and commission expense as set out above.

5.2.11 Net gains on derecognition of financial assets measured at amortised cost

Net gains on derecognition of financial assets measured at amortised cost decreased to nil in FY 2023 from £7.7 million in FY 2022. In FY 2022, the net gain was attributable to the sale of a portfolio of loans from the Real Estate segment in January 2022.

5.2.12 Net gains/(losses) on derivative financial instruments and hedge accounting

Net loss on derivative financial instruments and hedge accounting was £(0.8) million in FY 2022 compared to a net gain on derivative financial instruments and hedge accounting of £5.1 million in FY 2023, resulting in an increase in net gains on derivative financial instruments and hedge accounting by £5.9 million or 737.5 per cent., as compared to FY 2022, mainly on account of hedging ineffectiveness on the Group's interest rate risk management portfolio.

5.2.13 Net other operating income/(expense)

Net other operating income was £2.4 million in FY 2022 compared to a net other operating expense of £(0.9) million in FY 2023, resulting in a decrease in net other operating income/(expense) in FY 2023 by £(3.3) million or (137.5) per cent., compared to FY 2022, mainly on account of foreign exchange movements on the Group's loan balances which was partly offset by hedging activities of the Group.

5.2.14 Net operating income

Net operating income increased by £110.3 million, or 23.2 per cent., from £476.2 million in FY 2022 to £586.5 million in FY 2023, primarily as a result of the increase in the net interest income as set out above.

5.2.15 Administrative expenses

Administrative expenses increased by £31.9 million, or 16.4 per cent., from £(194.7) million in FY 2022 to £(226.6) million in FY 2023, mainly as a result of continued investment in the Group's digital strategy, partial inclusion of operating costs in relation to BML and higher employee payroll costs to support the Group's growth.

5.2.16 Impairment losses on financial assets

Impairment losses on financial assets increased by £12.4 million, or 26.0 per cent., from £(47.7) million in FY 2022 to £(60.1) million in FY 2023, mainly as a result of loan balances written off in the year (net of recoveries) and to a lesser extent, changes in net ECL charge for the year driven by macroeconomic assumptions. The increase in the amount of loan write-offs reflects the growth of the Group's loan book, macroeconomic changes affecting borrowing repayment capacity and the general seasoning of the portfolios.

5.2.17 Provisions

Provisions increased by £12.3 million, or 1,537.5 per cent., from £(0.8) million in FY 2022 to £(13.1) million in FY 2023, mainly as a result of increasing the Group's provision in relation to timeshare complaints. The Group had 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. While the FOS had previously not upheld the majority of such complaints that were referred to it, in November 2021, the FOS subsequently issued a final decision on one such complaint that was found in the customer's favour. The Group commenced a legal challenge of this decision by way of judicial review that was determined in May 2023. While the Group was ultimately unsuccessful in its challenge, the court found that the FOS made a number of errors of law in reaching its final decision and concluded each complaint must be carefully considered on its own individual facts. In total, as of 31 December 2023, the Group had advanced loans of approximately £200 million to customers in relation to Timeshare financing. Based on the information available as at 31 December 2023, the Group had recognised a provision of £11.4 million ("**Timeshare Provision**"), reflecting the best estimate of probable outflows associated with Timeshare claims.

5.2.18 Total operating expenses

Total operating expenses increased by £56.6 million, or 23.3 per cent., from £(243.2) million in FY 2022 to £(299.8) million in FY 2023, mainly as a result of an increase in the impairment losses on financial assets and the increase in provisions as set out above.

5.2.19 Profit before tax

Profit before tax increased by £53.7 million, or 23.0 per cent., from £233.0 million in FY 2022 to £286.7 million in FY 2023, mainly due to the increase in the net operating income.

5.2.20 Tax

Taxes increased by £16.3 million, or 28.0 per cent., from £(58.3) million in FY 2022 to £(74.6) million in FY 2023, mainly as a result of the Group's higher profits.

5.2.21 Profit after tax, attributable to owners

Profit after tax, attributable to owners, increased by £37.4 million, or 21.4 per cent., from £174.7 million in FY 2022 to £212.1 million in FY 2023, mainly as a result of the Group's higher profits.

5.3 Comparison of the Group's results of operations for FY 2023 and FY 2024

5.3.1 Interest income calculated using the effective interest rate method

Interest income calculated using the effective interest rate method increased by £253.3 million, or 26.8 per cent., from £946.0 million in FY 2023 to £1,199.3 million in FY 2024, mainly as a result of the growth in loans and advances to customers and an increase in the interest earned on cash and balances at central banks and on investment securities.

5.3.2 Other interest and similar income

Other interest and similar income decreased by £10.1 million, or 5.1 per cent., from £197.8 million in FY 2023 to £187.7 million in FY 2024, as a result of a decrease in the income earned on derivative financial instruments.

5.3.3 Interest expense and similar charges

Interest expense and similar charges increased by £228.8 million, or 40.3 per cent., from £(567.3) million in FY 2023 to £(796.1) million in FY 2024, mainly as a result of an increase in interest expense in relation to customer deposits and amounts due to banks, which was partially offset by a decrease in interest paid on derivative financial instruments.

5.3.4 Net interest income

Net interest income increased by £14.4 million, or 2.5 per cent., from £576.5 million in FY 2023 to £590.9 million in FY 2024, as a result of the above.

5.3.5 Operating lease rental income

Operating lease rental income decreased by £0.9 million, or 9.4 per cent., from £9.6 million in FY 2023 to £8.7 million in FY 2024, mainly as a result of lower carrying amounts of assets of operating leases.

5.3.6 Depreciation on operating leases

Depreciation on operating leases decreased by £0.8 million, or 9.8 per cent., from £(8.2) million in FY 2023 to £(7.4) million in FY 2024, mainly as a result of lower carrying amount of assets on operating leases.

5.3.7 Net operating lease income

Net operating lease income decreased by £0.1 million, or 6.7 per cent., from £1.5 million in FY 2023 to £1.4 million in FY 2024, mainly as a result of the above.

5.3.8 Fee and commission income

Fee and commission income decreased by £0.7 million, or 4.1 per cent., from £16.9 million in FY 2023 to £16.2 million in FY 2024, mainly as a result of a decrease in fee income on loans and advances to customers, which was partially offset by an increase in the credit facility related fees.

5.3.9 Net fee and commission income

Net fee and commission income decreased by £4.2 million, or 97.7 per cent., from £4.3 million in FY 2023 to £0.1 million in FY 2024, mainly as a result of an increase in fee and commission expense from £(12.6) million in FY 2023 to £(16.1) million in FY 2024.

5.3.10 Net gains on structured asset sales

The Group had net gains on structured asset sales of £14.1 million in FY 2024, compared to nil in FY 2023. Please refer to section 4 of this Part VIII.

5.3.11 Net gains/(losses) on derivative financial instruments and hedge accounting

Net gains on derivative financial instruments and hedge accounting decreased by £3.2 million, or 62.7 per cent., from £5.1 million in FY 2023 to £1.9 million in FY 2024, mainly as a result of a net gain on derivative financial instruments, which was substantially offset by a net loss on hedged risk.

5.3.12 Net operating income

Net operating income increased by £23.3 million, or 4.0 per cent., from £586.5 million in FY 2023 to £609.8 million in FY 2024, mainly as a result of the increase in the net interest income.

5.3.13 Administrative expenses

Administrative expenses increased by £26.2 million, or 11.6 per cent., from £(226.6) million in FY 2023 to £(252.8) million in FY 2024, mainly as a result of an increase in payroll costs from £131.8 million in FY 2023 to £150.3 million in FY 2024.

5.3.14 Impairment losses on financial assets

Impairment losses on financial assets increased by £7.1 million, or 11.8 per cent., from £(60.1) million in FY 2023 to £(67.2) million in FY 2024, mainly as a result of an increase in the net ECL charge for the year and the loan balances written off in the year, which was partially offset by amounts recovered in the year in respect of loan balances previously written off.

5.3.15 Provisions

The Group had a net credit for provisions of £5.3 million in FY 2024 compared to a provision charge of £(13.1) million in FY 2023, mainly as a result of provisions released and recovered during the year.

5.3.16 Total operating expenses

Total operating expenses increased by £14.9 million, or 5.0 per cent., from £(299.8) million in FY 2023 to £(314.7) million in FY 2024, mainly as a result of an increase in administrative expenses, which was partially offset by a credit of provisions, as referred to above.

5.3.17 Profit before tax

Profit before tax increased by £8.4 million, or 2.9 per cent., from £286.7 million in FY 2023 to £295.1 million in FY 2024, mainly due to the increase in the net operating income.

5.3.18 Tax

Taxes increased marginally by £0.6 million, or 0.8 per cent., from £(74.6) million in FY 2023 to £(75.2) million in FY 2024.

5.3.19 Profit after tax, attributable to owners

Profit after tax, attributable to owners, increased by £7.8 million, or 3.7 per cent., from £212.1 million in FY 2023 to £219.9 million in FY 2024, as a result of the Group's higher profits.

5.4 Comparison of the Group's results of operations for H1 2024 and H1 2025

5.4.1 Interest income calculated using the effective interest rate method

Interest income calculated using the effective interest rate method increased by £30.1 million, or 5.1 per cent., from £589.0 million in H1 2024 to £619.1 million in H1 2025, mainly as a result of the growth in loans and advances to customers and an increase in the interest earned on investment securities.

5.4.2 Other interest and similar income

Other interest and similar income decreased by £20.5 million, or 21.3 per cent., from £96.1 million in H1 2024 to £75.6 million in H1 2025, as a result of a decrease in the net income earned on derivative financial instruments.

5.4.3 Interest expense and similar charges

Interest expense and similar charges decreased by £12.0 million, or 3.0 per cent., from £(395.8) million in H1 2024 to £(383.8) million in H1 2025, mainly as a result of a decrease in the interest expense and similar charges with respect to derivative financial instruments.

5.4.4 Net interest income

Net interest income increased by £21.6 million, or 7.5 per cent., from £289.3 million in H1 2024 to £310.9 million in H1 2025, as a result of the above.

5.4.5 Operating lease rental income

Operating lease rental income decreased by £0.8 million, or 18.2 per cent., from £4.4 million in H1 2024 to £3.6 million in H1 2025, mainly as a result of lower carrying amount of assets on operating leases.

5.4.6 Depreciation on operating leases

Depreciation on operating leases decreased by £0.6 million, or 15.8 per cent., from £(3.8) million in H1 2024 to £(3.2) million in H1 2025, mainly as a result of lower carrying amount of assets on operating leases.

5.4.7 Net operating lease income

Net operating lease income remained at £0.7 million in H1 2024 and in H1 2025, mainly as a result of the above.

5.4.8 Fee and commission income

Fee and commission income increased by £0.5 million, or 6.8 per cent., from £7.4 million in H1 2024 to £7.9 million in H1 2025, mainly as a result of an increase in fee income on loans and advances to customers.

5.4.9 Net fee and commission (expense)/income

Net fee and commission income was £0.2 million in H1 2024 compared to net fee and commission expense of £(0.1) million in H1 2025, mainly as a result of an increase in the fee and commission expense in H1 2025 which more than offset the fee and commission income in H1 2025.

5.4.10 Net gains on structured asset sales

The Group had net gains on structured asset sales of £23.3 million in H1 2025, compared to nil in H1 2024. Please refer to section 4 of this Part VIII.

5.4.11 Net gains/(losses) on derivative financial instruments and hedge accounting

Net gain on derivative financial instruments and hedge accounting was £0.3 million in H1 2024 compared to a net loss on derivative financial instruments and hedge accounting of £(1.0) million in H1 2025, mainly on account of hedging ineffectiveness on the Group's interest rate risk management portfolio.

5.4.12 Net operating income

Net operating income increased by £45.0 million, or 15.5 per cent., from £290.5 million in H1 2024 to £335.5 million in H1 2025, mainly as a result of the increase in the net interest income.

5.4.13 Administrative expenses

Administrative expenses increased by £14.6 million, or 11.7 per cent., from £(125.2) million in H1 2024 to £(139.8) million in H1 2025, mainly as a result of an increase in payroll costs and other administrative expenses.

5.4.14 Impairment losses on financial assets

Impairment losses on financial assets decreased by £11.2 million, or 25.6 per cent., from £(43.8) million in H1 2024 to £(32.6) million in H1 2025, mainly as a result of a decrease in the net ECL charge for the period.

5.4.15 Provisions

Provisions for liabilities and charges decreased from £5.6 million in H1 2024 to nil in H1 2025, mainly as a result of no additional provisions being required during the period.

5.4.16 Total operating expenses

Total operating expenses increased by £9.0 million, or 5.5 per cent., from £(163.4) million in H1 2024 to £(172.4) million in H1 2025, mainly as a result of an increase in the administrative expenses which was partially offset by a decrease in the impairment losses on financial assets.

5.4.17 Profit before tax

Profit before tax increased by £36.0 million, or 28.3 per cent., from £127.1 million in H1 2024 to £163.1 million in H1 2025, mainly as a result of an increase in the net operating income.

5.4.18 Tax

Taxes increased by £10.5 million, or 31.7 per cent., from £(33.1) million in H1 2024 to £(43.6) million in H1 2025, mainly as a result of an increase in the estimated average annual tax rate from 26.0 per cent. in H1 2024 to 26.7 per cent. in H1 2025.

5.4.19 Profit after tax, attributable to owners

Profit after tax, attributable to owners, increased by £25.5 million, or 27.1 per cent., from £94.0 million in H1 2024 to £119.5 million in H1 2025, as a result of the Group's higher profit before tax.

6. Segmental analysis

The Group discloses its financial results under four reportable segments: Real Estate, SME, Consumer Finance and Retail Mortgage Brands. Any income or expense not allocated to the aforementioned reportable segments is included in 'Other', which does not represent a reportable operating segment.

During the year ended 31 December 2023, the Group completed its acquisition of BML and as a result, all amounts related to BML were aggregated with the previously disclosed TML Mortgages segment, forming a new reportable segment comprised of these two subsidiaries, referred to as 'Retail Mortgage Brands'. During the same year, the Group also made changes to its reporting and presentation of interest income, interest expense, net fee and commission income and expense by operating segment by reallocating certain items to the 'Other' operating segment and the methodology to allocate administrative costs across the lending segments was also further developed. Following the aforementioned changes, the financial results for FY 2022 were accordingly restated.

Prior to the aforementioned changes, the Group had five reportable operating segments: four lending segments (Real Estate, SME, Consumer Finance and TML Mortgages) and a central segment (Savings and Central).

A short description of the current operating segments is set out below.

- **Real Estate:** In the Real Estate segment, the Group provides specialist commercial and residential loan products to experienced professional landlords and property investors.
- **SME:** In the SME segment, the Group provides a range of innovative and tailored solutions to support UK small and medium-sized enterprises with their event-driven needs.
- **Consumer Finance:** In the Consumer Finance segment, the Group primarily targets the higher-income segment through motor finance and provides digital unsecured personal loans directly and through a range of partners.
- **Retail Mortgage Brands:** The Retail Mortgage Brands segment comprises the Group's subsidiaries TML and BML. In this segment, the Group supports customers with non-traditional and complex credit and income profiles, including the self-employed, entrepreneurs and first-time buyers, with specialist residential and buy-to-let mortgage products.

The Commercial franchise includes the Group's Real Estate and SME reportable operating segments and the Retail franchise includes the Group's Consumer Finance and Retail Mortgage Brands reportable operating segments.

The Group determines reportable 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. Reportable 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.

Information regarding the results of each reportable segment for FY 2022, FY 2023 and FY 2024, and their reconciliation to the total results of the Group, are set out in the tables below. 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 non-recurring.

Year ended 31 December 2022 (Restated)	Commercial		Retail			Underlying total £m	Underlying adjustment ⁽¹⁾ £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m			
Interest and similar income.....	254.3	196.7	47.8	74.7	50.8	624.3	–	624.3
Interest expense and similar charges.....	(109.0)	(46.0)	(8.4)	(31.9)	30.7	(164.6)	–	(164.6)
Net interest income	145.3	150.7	39.4	42.8	81.5	459.7	–	459.7
Net operating lease income	–	1.7	–	–	–	1.7	–	1.7
Net fee and commission income/(expense).....	(2.9)	9.3	(1.9)	2.2	(1.2)	5.5	–	5.5
Net gains on derecognition of financial assets measured at amortised cost.....	7.7	–	–	–	–	7.7	–	7.7
Net losses on derivative financial instruments and hedge accounting.....	(0.1)	–	–	–	(0.7)	(0.8)	–	(0.8)
Net other operating income.....	–	–	–	–	2.4	2.4	–	2.4
Net operating income	150.0	161.7	37.5	45.0	82.0	476.2	–	476.2
Administrative expenses.....	(25.0)	(29.1)	(13.3)	(23.6)	(98.7)	(189.7)	(5.0)	(194.7)
Impairment losses on financial assets.....	(6.4)	(15.3)	(20.3)	(5.7)	–	(47.7)	–	(47.7)
Provisions.....	–	–	(0.8)	–	–	(0.8)	–	(0.8)
Total operating expenses.....	(31.4)	(44.4)	(34.4)	(29.3)	(98.7)	(238.2)	(5.0)	(243.2)
Profit/(loss) before tax.....	118.6	117.3	3.1	15.7	(16.7)	238.0	(5.0)	233.0

(1) The adjustment relates to costs incurred in relation to the strategic review undertaken with respect to the ownership of the Group.

Year ended 31 December 2023	Commercial		Retail			Underlying total £m	Underlying adjustment ⁽¹⁾ £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Mortgage Brands £m	Other £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

(1) The adjustments relate to (i) corporate activity costs primarily in relation to the acquisition of BML and (ii) the Timeshare Provision.

Year ended 31 December 2024	Commercial		Retail			Underlying total £m	Underlying adjustment £m ⁽¹⁾	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £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 income.....	–	–	–	–	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

(1) The adjustments relate to (i) corporate activity costs primarily in relation to the acquisition of JBR and (ii) provision recovery in relation to the Timeshare Provision.

Six months ended 30 June 2024	Commercial		Retail			Underlying total £m	Underlying adjustment ⁽¹⁾ £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m			
Interest and similar income.....	194.6	159.7	34.0	119.4	177.4	685.1	–	685.1
Interest expense and similar charges.....	(112.7)	(68.6)	(10.0)	(73.9)	(130.6)	(395.8)	–	(395.8)
Net interest income	81.9	91.1	24.0	45.5	46.8	289.3	–	289.3
Net operating lease income	–	0.7	–	–	–	0.7	–	0.7
Net fee and commission income/(expense).....	(1.2)	4.9	(2.3)	0.3	(1.5)	0.2	–	0.2
Net gains on derivative financial instruments and hedge accounting.....	–	–	–	–	0.3	0.3	–	0.3
Net other operating income.....	–	–	–	–	–	–	–	–
Net operating income	80.7	96.7	21.7	45.8	45.6	290.5	–	290.5
Administrative expenses.....	(12.3)	(20.1)	(7.6)	(19.4)	(62.8)	(122.2)	(3.0)	(125.2)
Impairment losses on financial assets.....	(8.7)	(15.6)	(17.6)	(1.9)	–	(43.8)	–	(43.8)
Provisions.....	–	–	–	–	–	–	5.6	5.6
Total operating expenses.....	(21.0)	(35.7)	(25.2)	(21.3)	(62.8)	(166.0)	2.6	(163.4)
Profit/(loss) before tax.....	59.7	61.0	(3.5)	24.5	(17.2)	124.5	2.6	127.1

(1) The adjustments relate to (i) corporate activity costs primarily in relation to the acquisition of JBR and (ii) provision recovery in relation to the Timeshare Provision.

Six months ended 30 June 2025	Commercial		Retail			Underlying total £m	Underlying adjustment ⁽¹⁾ £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Mortgage Brands £m	Other £m			
Interest and similar income.....	219.7	169.1	46.1	132.0	127.8	694.7	–	694.7
Interest expense and similar charges.....	(129.3)	(67.8)	(15.6)	(87.5)	(83.6)	(383.8)	–	(383.8)
Net interest income	90.4	101.3	30.5	44.5	44.2	310.9	–	310.9
Net operating lease income	–	0.7	–	–	–	0.7	–	0.7
Net fee and commission income/(expense).....	(1.0)	4.2	(0.7)	–	(2.6)	(0.1)	–	(0.1)
Net gains on structured asset sales	–	–	–	23.3	–	23.3	–	23.3
Net losses on derivative financial instruments and hedge accounting.....	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Net other operating income.....	–	–	–	–	1.7	1.7	–	1.7
Net operating income	89.4	106.2	29.8	67.8	42.3	335.5	–	335.5
Administrative expenses.....	(12.6)	(19.9)	(11.5)	(14.8)	(75.5)	(134.3)	(5.5)	(139.8)
Impairment losses on financial assets.....	(2.0)	(19.1)	(7.4)	(4.1)	–	(32.6)	–	(32.6)
Total operating expenses.....	(14.6)	(39.0)	(18.9)	(18.9)	(75.5)	(166.9)	(5.5)	(172.4)
Profit/(loss) before tax.....	74.8	67.2	10.9	48.9	(33.2)	168.6	(5.5)	163.1

(1) The adjustment relates to corporate activity costs and strategic review costs.

7. Alternative Performance Measures

The Directors consider the following metrics to be the key performance indicators or Alternative Performance Measures used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. Certain financial measures set out below do not have a standardised meaning prescribed by IFRS and may not therefore be comparable to similar measures presented by other issuers. In addition to the Group's results determined in accordance with IFRS, the Directors believe the following non-IFRS financial measures are useful in evaluating the Group's operating performance and are as presented below:

	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024*	2025
Assets and liabilities					
Loan book (£m) ⁽¹⁾	10,495.2	13,310.8	15,206.4	N/A	15,833.9
Loan book (including structured asset sales) (£m) ⁽²⁾	11,058.3	13,779.3	15,927.9	N/A	17,024.8
Average principal employed (£m) ⁽³⁾	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Wholesale funding (£m) ⁽⁴⁾	1,615.1	1,867.8	1,925.3	N/A	1,421.4
Tangible net asset value (£m) ⁽⁵⁾	940.5	1,108.4	1,335.2	N/A	1,434.7
Profitability (per cent.)					
Gross asset yield ⁽⁶⁾	6.8	9.7	9.8	10.0	9.3
Liability yield ⁽⁷⁾	(1.8)	(4.8)	(5.6)	(5.8)	(5.0)
Net interest margin ⁽⁸⁾	5.1	4.9	4.3	4.2	4.4
Cost:APE ratio (on an underlying basis) ⁽⁹⁾	(2.0)	(1.9)	(1.7)	(1.8)	(1.7)
Cost-to-income ratio (on an underlying basis) ⁽¹⁰⁾ ..	(40.0)	(38.2)	(40.8)	(42.1)	(40.0)
Cost of risk ⁽¹¹⁾	(0.51)	(0.51)	(0.47)	(0.64)	(0.42)
Return on lending assets before tax (on an underlying basis) ⁽¹²⁾	2.5	2.5	2.1	1.8	2.2
Return on tangible equity (on an underlying basis) ⁽¹³⁾	20.1	20.2	16.7	14.5	17.0
Adjusted return on tangible equity (on an underlying basis) ⁽¹⁴⁾	20.1	20.4	17.5	14.9	18.3
Underlying profit before tax (£m) ⁽¹⁵⁾	238.0	302.1	293.8	124.5	168.6
Liquidity					
Liquidity coverage ratio ⁽¹⁶⁾	321.3	262.8	176.0	N/A	130.0
Capital and leverage⁽¹⁷⁾ (per cent. and on an underlying basis)					
Common Equity Tier 1 capital ratio ⁽¹⁸⁾	12.7	12.9	13.0	N/A	13.1
Total Tier 1 capital ratio ⁽¹⁹⁾	14.3	14.3	14.2	N/A	14.3
Total capital ratio ⁽²⁰⁾	15.6	16.4	15.9	N/A	15.8
Leverage ratio ⁽²¹⁾	8.8	8.2	8.1	N/A	8.1
Risk-weighted assets (£m) ⁽²²⁾	7,463.1	8,701.3	9,946.6	9,478.4	10,611.6

* N/A means 'not applicable' since the relevant measures as at 30 June 2025 are compared against measures as at 31 December 2024.

- (1) The loan book is calculated as the sum of loans and advances to customers (net of loss allowance and fair value adjustments for hedged risk) and the carrying amount of assets on operating leases. Loans and advances to customers includes loans and advances to customers at amortised cost and loans and advances to customers 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. The following table sets out the reconciliation of the loan book to the loans and advances to customers as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Loans and advances to customers.....	10,457.1	13,279.3	15,176.6	15,806.3
Carrying amount of assets on operating leases.....	38.1	31.5	29.8	27.6
Loan book	10,495.2	13,310.8	15,206.4	15,833.9

- (2) The loan book (including structured asset sales) is calculated as the sum of loans and advances to customers (net of loss allowance and fair value adjustments for hedged risk), the carrying amount of assets on operating leases and the amount involved in originate-to-distribute (OTD) transactions during the applicable period (being the structured asset sales undertaken by the Group during the period). Loans and advances to customers includes loans and advances to customers at amortised cost and loans and advances to customers 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. The following table sets out the reconciliation of the loan book (including structured asset sales) to the loans and advances to customers as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Loans and advances to customers	10,457.1	13,279.3	15,176.6	15,806.3
Carrying amount of assets on operating leases	38.1	31.5	29.8	27.6
Amounts involved in originate-to-distribute (OTD) transactions	563.1	468.5	721.5	1,190.9
Loan book (including structured asset sales)	11,058.3	13,779.3	15,927.9	17,024.8

- (3) Average principal employed is calculated as 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. The average of monthly figures referred to above is calculated as an average of opening and closing balances for each of the months during the relevant period.
- (4) Wholesale funding is calculated as the sum of amounts due to banks and debt securities in issue. The following table shows the reconciliation of wholesale funding as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Amounts due to banks	1,498.7	1,405.0	1,376.1	995.9
Debt securities in issue	116.4	462.8	549.2	425.5
Wholesale funding	1,615.1	1,867.8	1,925.3	1,421.4

- (5) Tangible net asset value is calculated as the total assets less total liabilities, intangible assets and capital securities. The following table shows the reconciliation of tangible net asset value as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Total assets	13,938.7	17,236.2	19,722.7	20,275.1
Less: Total liabilities	(12,798.9)	(15,897.5)	(18,140.4)	(18,590.7)
Less: Intangible assets	(76.4)	(107.2)	(124.0)	(126.6)
Less: Capital Securities	(122.9)	(123.1)	(123.1)	(123.1)
Tangible net asset value	940.5	1,108.4	1,335.2	1,434.7

- (6) The gross asset yield is calculated as the net operating income less interest expense and similar charges, divided by average principal employed. The following table shows the reconciliation of gross asset yield as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Net operating income	476.2	586.5	609.8	290.5	335.5
Less: Interest expense and similar charges	(164.6)	(567.3)	(796.1)	(395.8)	(383.8)
Total	640.8	1,153.8	1,405.9	686.3	719.3
Average principal employed	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Gross asset yield (per cent.)⁽¹⁾⁽²⁾	6.8	9.7	9.8	10.0	9.3

⁽¹⁾ The gross asset yield calculated on an underlying basis and on a statutory basis is the same since there were no underlying adjustments impacting the gross asset yield during the periods covered in the table above.

⁽²⁾ The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (7) The liability yield is calculated as interest expense and similar charges divided by average principal employed. The following table shows the reconciliation of the liability yield as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Interest expense and similar charges (A)	(164.6)	(567.3)	(796.1)	(395.8)	(383.8)
Average principal employed (B)	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Liability yield (A/B) (per cent.)⁽¹⁾⁽²⁾	(1.8)	(4.8)	(5.6)	(5.8)	(5.0)

⁽¹⁾ The liability yield calculated on an underlying basis and on a statutory basis is the same since there were no underlying adjustments impacting the liability yield during the periods covered in the table above.

⁽²⁾ The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (8) The net interest margin is calculated as the net operating income divided by average principal employed. The following table shows the reconciliation of net interest margin as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Net operating income (A)	476.2	586.5	609.8	290.5	335.5
Average principal employed (B)	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Net interest margin (A/B)⁽¹⁾⁽²⁾ (per cent.).....	5.1	4.9	4.3	4.2	4.4

⁽¹⁾ The net interest margin calculated on an underlying basis and on a statutory basis is the same since there were no underlying adjustments impacting the net interest margin during the periods covered in the table above.

⁽²⁾ The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (9) The Cost:APE ratio is calculated as the sum of: (i) administrative expenses; (ii) provisions in the statement of profit and loss; and (iii) total statutory results adjustments (when calculating the measure on an underlying basis), divided by average principal employed. The following tables show the reconciliation of the Cost:APE ratio as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025, both on an underlying basis (including total statutory results adjustments) and on a statutory basis:

(£m)	Underlying basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Administrative expenses	(194.7)	(226.6)	(252.8)	(125.2)	(139.8)
Provisions	(0.8)	(13.1)	5.3	5.6	-
Total statutory results adjustments ⁽¹⁾	5.0	15.4	(1.3)	(2.6)	5.5
Total.....	(190.5)	(224.3)	(248.8)	(122.2)	(134.3)
Average principal employed.....	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Cost:APE ratio (per cent.)⁽²⁾	(2.0)	(1.9)	(1.7)	(1.8)	(1.7)

⁽¹⁾ Total statutory results adjustments include (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £4.0 million of corporate activity costs primarily in relation to the acquisition of BML and £11.4 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £4.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £5.3 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £3.0 million of corporate activity costs primarily relating to the JBR Acquisition and £5.6 million of provision recovery in relation to the Timeshare Provision, and (v) for the six months ended 30 June 2025, £2.4 million for corporate activity costs and £3.1 million of strategic review costs. Total statutory results adjustments in each period under review represent the sum of the amounts recognised by the Group as 'underlying adjustments' in the corresponding table set out in Note 5 to the Historical Financial Information of the Group contained in Section B of Part IX (*Historical Financial Information*) and Note 8 to the Interim Financial Information of the Group contained in Section D of Part IX (*Historical Financial Information*).

- (2) The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

(£m)	Statutory basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Administrative expenses	(194.7)	(226.6)	(252.8)	(125.2)	(139.8)
Provisions	(0.8)	(13.1)	5.3	5.6	-
Total	(195.5)	(239.7)	(247.5)	(119.6)	(139.8)
Average principal employed	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Cost:APE ratio (per cent.)⁽¹⁾	(2.1)	(2.0)	(1.7)	(1.7)	(1.8)

- (1) The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (10) The cost-to-income ratio is calculated as the sum of: (i) administrative expenses; (ii) provisions in the statement of profit and loss; and (iii) total statutory results adjustments (when calculating the measure on an underlying basis), divided by net operating income. The following tables show the reconciliation of the cost-to-income ratio as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025, both on an underlying basis (including total statutory results adjustments) and on a statutory basis:

(£m)	Underlying basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Administrative expenses	(194.7)	(226.6)	(252.8)	(125.2)	(139.8)
Provisions	(0.8)	(13.1)	5.3	5.6	-
Total statutory results adjustments ⁽¹⁾	5.0	15.4	(1.3)	(2.6)	5.5
Total	(190.5)	(224.3)	(248.8)	(122.2)	(134.3)
Net operating income	476.2	586.5	609.8	290.5	335.5
Cost-to-income ratio (per cent.)	(40.0)	(38.2)	(40.8)	(42.1)	(40.0)

- (1) Total statutory results adjustments include (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £4.0 million of corporate activity costs primarily in relation to the BML Acquisition and £11.4 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £4.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £5.3 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £3.0 million of corporate activity costs primarily relating to the JBR Acquisition and £5.6 million of provision recovery in relation to the Timeshare Provision, and (v) for the six months ended 30 June 2025, £2.4 million for corporate activity costs and £3.1 million of strategic review costs. Total statutory results adjustments in each period under review represent the sum of the amounts recognised by the Group as 'underlying adjustments' in the corresponding table set out in Note 5 to the Historical Financial Information of the Group contained in Section B of Part IX (*Historical Financial Information*) and Note 8 to the Interim Financial Information of the Group contained in Section D of Part IX (*Historical Financial Information*).

(£m)	Statutory basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Administrative expenses	(194.7)	(226.6)	(252.8)	(125.2)	(139.8)
Provisions	(0.8)	(13.1)	5.3	5.6	-
Total	(195.5)	(239.7)	(247.5)	(119.6)	(139.8)
Net operating income	476.2	586.5	609.8	290.5	335.5
Cost-to-income ratio (per cent.)	(41.1)	(40.9)	(40.6)	(41.2)	(41.7)

- (11) The cost of risk is calculated as the impairment losses on financial assets, divided by average principal employed. The following table shows the reconciliation of the cost of risk as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Impairment losses on financial assets (A)	(47.7)	(60.1)	(67.2)	(43.8)	(32.6)
Average principal employed (B)	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Cost of risk (A/B) (per cent.)⁽¹⁾⁽²⁾	(0.51)	(0.51)	(0.47)	(0.64)	(0.42)

⁽¹⁾ The cost of risk calculated on an underlying basis and on a statutory basis is the same since there were no underlying adjustments impacting the cost of risk during the periods covered in the table above.

⁽²⁾ The figures for the six months ended 30 June 2025 are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (12) The return on lending assets before tax is calculated as the sum of: (i) profit before tax; and (ii) total statutory results adjustments (when calculating the measure on an underlying basis), divided by average principal employed. The following tables show the reconciliation of the return on lending assets before tax as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025, both on an underlying basis (including total statutory results adjustments) and on a statutory basis:

(£m)	Underlying basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit before tax	233.0	286.7	295.1	127.1	163.1
Total statutory results adjustments ⁽¹⁾	5.0	15.4	(1.3)	(2.6)	5.5
Profit before tax, before statutory adjustments (A)	238.0	302.1	293.8	124.5	168.6
Average principal employed (B)	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Return on lending assets before tax (A/B) (per cent.)⁽²⁾	2.5	2.5	2.1	1.8	2.2

⁽¹⁾ Total statutory results adjustments include (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £4.0 million of corporate activity costs primarily in relation to the BML Acquisition and £11.4 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £4.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £5.3 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £3.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £5.6 million of provision recovery in relation to the Timeshare Provision and (v) for the six months ended 30 June 2025, £2.4 million for corporate activity costs and £3.1 million of strategic review costs. Total statutory results adjustments in each period under review represent the sum of the amounts recognised by the Group as 'underlying adjustments' in the corresponding table set out in Note 5 to the Historical Financial Information of the Group contained in Section B of Part IX (*Historical Financial Information*) and Note 8 to the Interim Financial Information of the Group contained in Section D of Part IX (*Historical Financial Information*).

⁽²⁾ The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

(£m)	Statutory basis				
	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit before tax (A)	233.0	286.7	295.1	127.1	163.1
Average principal employed (B)	9,375.7	11,854.4	14,290.4	13,783.5	15,550.8
Return on lending assets before tax (A/B) (per cent.)⁽¹⁾	2.5	2.4	2.1	1.9	2.1

⁽¹⁾ The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (13) The return on tangible equity is calculated as profit after tax, attributable to owners (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. The following tables show the reconciliation of the return on tangible equity as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025, both on an underlying basis (including total statutory results adjustments) and on a statutory basis:

(£m)	Underlying basis				
	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit after tax, attributable to owners	174.7	212.1	219.9	94.0	119.5
Total statutory results adjustments ⁽¹⁾	5.0	11.4	(0.9)	(1.9)	4.9
Profit after tax, attributable to owners, before statutory adjustments (A)	179.7	223.5	219.0	92.1	124.4
Coupon paid to holders of capital securities (B)	(8.8)	(16.9)	(15.1)	(7.7)	(7.6)
A+B	170.9	206.6	203.9	84.4	116.8
Total equity at the beginning of the period (C1)	960.2	1,139.8	1,338.7	1,338.7	1,582.3
Capital securities (at the beginning of the period) (D1)	124.0	122.9	123.1	123.1	123.1
Intangible assets (at the beginning of the period) (E1)	75.2	76.4	107.2	107.2	124.0
C1-D1-E1 (F1)	761.0	940.5	1,108.4	1,108.4	1,335.2
Total equity at the end of the period (C2)	1,139.8	1,338.7	1,582.3	1,466.0	1,684.4
Capital securities (at the end of the period) (D2)	122.9	123.1	123.1	123.1	123.1
Intangible assets (at the end of the period) (E2)	76.4	107.2	124.0	108.2	126.6
C2-D2-E2 (F2)	940.5	1,108.4	1,335.2	1,234.7	1,434.7
Average tangible equity ((F1+F2)/2)	850.8	1,024.5	1,221.8	1,171.6	1,385.0
Return on tangible equity (per cent.)⁽²⁾	20.1	20.2	16.7	14.5	17.0

⁽¹⁾ Total statutory results adjustments include (in each case the amounts are after tax) (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £2.9 million of corporate activity costs primarily in relation to the BML Acquisition and £8.5 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £3.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £3.9 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £2.2 million of corporate activity costs primarily in relation to the acquisition of JBR and £4.1 million of provision recovery in relation to the Timeshare Provision and (v) for the six months ended 30 June 2025, £1.8 million for corporate activity costs and £3.1 million of strategic review costs.

⁽²⁾ The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

(£m)	Statutory basis				
	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit after tax, attributable to owners (A)	174.7	212.1	219.9	94.0	119.5
Coupon paid to holders of capital securities (B).....	(8.8)	(16.9)	(15.1)	(7.7)	(7.6)
A+B	165.9	195.2	204.8	86.3	111.9
Total equity at the beginning of the period (C1)	960.2	1,139.8	1,338.7	1,338.7	1,582.3
Capital securities (at the beginning of the period) (D1)	124.0	122.9	123.1	123.1	123.1
Intangible assets (at the beginning of the period) (E1)	75.2	76.4	107.2	107.2	124.0
C1-D1-E1 (F1)	761.0	940.5	1,108.4	1,108.4	1,335.2
Total equity at the end of the period (C2)	1,139.8	1,338.7	1,582.3	1,466.0	1,684.4
Capital securities (at the end of the period) (D2)	122.9	123.1	123.1	123.1	123.1
Intangible assets (at the end of the period) (E2)	76.4	107.2	124.0	108.2	126.6
C2-D2-E2 (F2)	940.5	1,108.4	1,335.2	1,234.7	1,434.7
Average tangible equity ((F1+F2)/2)	850.8	1,024.5	1,221.8	1,171.6	1,385
Return on tangible equity (per cent.)⁽¹⁾	19.5	19.1	16.8	14.8	16.3

⁽¹⁾ The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

- (14) The adjusted return on tangible equity is calculated as profit after tax, attributable to owners plus total statutory results announcements (when calculating the measure on an underlying basis), less distributions made to holders of capital securities, divided by the product of average risk-weighted assets multiplied by 12.5 per cent., which is the target CET1 ratio. Average risk-weighted assets is calculated as risk-weighted assets at the beginning of the period, plus risk-weighted assets at the end of the period, divided by two. The following tables show the reconciliation of the adjusted return on tangible equity as at and for the year ended 31 December 2022, 2023, and 2024 and as at and for the six months ended 30 June 2024 and 2025, both on an underlying basis (including total statutory results adjustments) and on a statutory basis:

(£m)	Underlying basis				
	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit after tax, attributable to owners	174.7	212.1	219.9	94.0	119.5
Total statutory results adjustments ⁽¹⁾	5.0	11.4	(0.9)	(1.9)	4.9
Profit after tax, attributable to owners, before statutory adjustments (A)	179.7	223.5	219.0	92.1	124.4
Coupon paid to holders of capital securities (B)	(8.8)	(16.9)	(15.1)	(7.7)	(7.6)
A+B	170.9	206.6	203.9	84.4	116.8
Risk-weighted assets at the beginning of the period (C1)	6,137.6	7,463.1	8,701.3	8,701.3	9,946.6
Risk-weighted assets at the end of the period (C2) ⁽²⁾	7,463.1	8,701.3	9,946.6	9,478.4	10,611.6
Average risk-weighted assets ((C1+C2)/2) (D)	6,800.4	8,082.2	9,324.0	9,089.9	10,279.1
D * 12.5 per cent.	850.0	1,010.3	1,165.5	1,136.2	1,284.9
Adjusted return on tangible equity (per cent.)⁽³⁾	20.1	20.4	17.5	14.9	18.3

- (1) Total statutory results adjustments include (in each case the amounts are after tax) (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £2.9 million of corporate activity costs primarily in relation to the BML Acquisition and £8.5 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £3.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £3.9 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £2.2 million of corporate activity costs primarily in relation to the acquisition of JBR and £4.1 million of provision recovery in relation to the Timeshare Provision and (v) for the six months ended 30 June 2025, £1.8 million for corporate activity costs and £3.1 million of strategic review costs.
- (2) Risk-weighted assets as at 31 December 2022 have been restated to reflect adjustments in credit valuation adjustment and counterparty credit risk in respect of the Group's structured entities' interest rate swaps. Risk-weighted assets have increased by £80.6 million from £7,382.5 million to £7,463.1 million.
- (3) The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.

(£m)	Statutory basis				
	As at and for the year ended 31 December			As at and for the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit after tax, attributable to owners (A)	174.7	212.1	219.9	94.0	119.5
Coupon paid to holders of capital securities (B).....	(8.8)	(16.9)	(15.1)	(7.7)	(7.6)
A+B.....	165.9	195.2	204.8	86.3	111.9
Risk-weighted assets at the beginning of the period (C1).....	6,137.6	7,463.1 ⁽¹⁾	8,701.3	8,701.3	9,946.6
Risk-weighted assets at the end of the period (C2).....	7,463.1 ⁽¹⁾	8,701.3	9,946.6	9,478.4	10,611.6
Average risk-weighted assets ((C1+C2)/2) (D)	6,800.4	8,082.2	9,324.0	9,089.9	10,279.1
D * 12.5 per cent.	850.0	1,010.3	1,165.5	1,136.2	1,284.9
Adjusted return on tangible equity (per cent.)⁽²⁾	19.5	19.3	17.6	15.3	17.6

- (1) Risk-weighted assets as at 31 December 2022 have been restated to reflect adjustments in credit valuation adjustment and counterparty credit risk in respect of the Group's structured entities' interest rate swaps. Risk-weighted assets have increased by £80.6 million from £7,382.5 million to £7,463.1 million.
- (2) The figures for the six months ended 30 June are annualised on the basis of the (i) 182 calendar days from 1 January through 30 June for 2024, and (ii) 181 calendar days from 1 January through 30 June for 2025.
- (15) The underlying profit before tax is calculated as the sum of the profit before tax and total statutory adjustments for the period. The following table shows the reconciliation of underlying profit before tax for the year ended 31 December 2022, 2023, and 2024 and for the six months ended 30 June 2024 and 2025:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
Profit before tax	233.0	286.7	295.1	127.1	163.1
Total statutory adjustments	5.0	15.4	(1.3)	(2.6)	5.5
Underlying profit before tax (£m)⁽¹⁾ .	238.0	302.1	293.8	124.5	168.6

- (1) Total statutory adjustments include (i) for the year ended 31 December 2022, costs of £5.0 million incurred in relation to the strategic review undertaken with respect to the ownership of the Group, (ii) for the year ended 31 December 2023, £4.0 million of corporate activity costs primarily in relation to the BML Acquisition and £11.4 million in relation to the Timeshare Provision, (iii) for the year ended 31 December 2024, £4.0 million of corporate activity costs primarily in relation to the acquisition of JBR and £5.3 million of provision recovery in relation to the Timeshare Provision, (iv) for the six months ended 30 June 2024, £3.0 million of corporate activity costs primarily relation to the acquisition of JBR and £5.6 million of provision recovery in relation to the Timeshare Provision and (v) for the six months ended 30 June 2025, £2.4 million for corporate activity costs and £3.1 million of strategic review costs. Total statutory results adjustments in each period under review represent the sum of the amounts recognised by the Group as 'underlying adjustments' in the corresponding table set out in Note 5 to the Historical Financial Information of the Group contained in Section B of Part IX (*Historical Financial Information*) and Note 8 to the Interim Financial Information of the Group contained in Section D of Part IX (*Historical Financial Information*).

- (16) 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 liquidity coverage ratio is calculated as the liquidity buffer, divided by the total 30-day net cash outflows in a standardised stress scenario. The liquidity coverage ratio is a regulatory metric that measures a set of standardised liquidity inflows and outflows over a period of 30 days. The Group calculates the liquidity coverage ratio in accordance with the EBA's liquidity coverage ratio standards, as adopted by the PRA. For the reconciliation of the liquidity coverage ratio as at 31 December 2022, 2023, and 2024 and as at 30 June 2025, please refer to section 8.1 of this Part VIII.
- (17) Capital and leverage metrics are shown on a transitional basis after applying IFRS 9 transitional arrangements.
- (18) The Common Equity Tier 1 capital ratio is calculated as common equity tier 1 capital divided by risk-weighted assets. The following table shows the reconciliation of the Common Equity Tier 1 capital ratio as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Share capital.....	2.5	2.5	2.5	2.5
Share premium account.....	87.3	87.3	87.3	87.3
Capital contribution reserve	5.6	19.9	19.9	19.9
Retained earnings.....	905.8	1,101.7	1,307.2	1,420.7
Intangible assets.....	(76.4)	(107.2)	(124.0)	(126.6)
Transitional adjustments for IFRS 9	24.5	17.5	10.4	-
Prudent valuation adjustment.....	(1.3)	(3.0)	(3.6)	(3.7)
Securitisation position which alternatively be subject to 1,250.0% risk weight.....	-	-	(6.6)	(7.5)
Common Equity Tier 1 capital (A)	948.0	1,118.7	1,293.1	1,392.6
Risk-weighted assets (B)	7,463.1	8,701.3	9,946.6	10,611.6
Common Equity Tier 1 capital ratio (A/B) (per cent.)	12.7	12.9	13.0	13.1

- (19) The total tier-1 capital ratio is calculated as total Tier 1 capital (being the sum of Common Equity Tier 1 capital and capital securities), divided by risk-weighted assets. The following table shows the reconciliation of the Total Tier 1 capital ratio as at 31 December 2022, 2023, and 2024 and as at 30 June 2025:

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Common Equity Tier 1 capital (A).....	948.0	1,118.7	1,293.1	1,392.6
Capital securities (B)	122.9	123.1	123.1	123.1
Total Tier-1 capital (A+B)	1,070.9	1,241.8	1,416.2	1,515.7
Risk-weighted assets (C)	7,463.1	8,701.3	9,946.6	10,611.6
Total Tier 1 capital ratio (A+B/C) (per cent.)	14.3	14.3	14.2	14.3

- (20) The total capital ratio is calculated as total regulatory capital divided by risk-weighted assets. The following table shows the reconciliation of the total capital ratio as at 31 December 2022, 2023 and 2024 and as at 30 June 2025 (for the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments (£2.7 million as at the end of FY 2022, £5.4 million as at the end of FY 2023, £7.5 million as at the end of FY 2024 and £6.3 million as at the end of H1 2025)):

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Total Tier 1 capital (A)	1,070.9	1,241.8	1,416.2	1,515.7
Subordinated debt liability (B1)	96.8	188.5	171.1	215.5
Capitalised interest and other accounting adjustments ⁽¹⁾ (B2)	(2.7)	(5.4)	(7.5)	(51.1)
Subordinated debt liability (Tier 2 capital) ⁽²⁾ (B1+B2=B)	94.1	183.1	163.6	164.4
Total regulatory capital (A+B)	1,165.0	1,424.9	1,579.8	1,680.1
Risk-weighted assets (C)	7,463.1	8,701.3	9,946.6	10,611.6
Total capital ratio (A+B/C) (per cent.)	15.6	16.4	15.9	15.8

- ⁽¹⁾ Capitalised interest and other accounting adjustments (i) as at 31 December 2022, were £2.7 million, (ii) as at 31 December 2023, were £5.4 million, (iii) as at 31 December 2024, were £7.5 million and (iv) as at 30 June 2025, were £6.3 million.

- ⁽²⁾ For the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments are excluded. With respect to the subordinated debt liability as at 30 June 2025, subordinated debt in an amount of £44.8 million was repayable in July 2025 and therefore was not eligible as Tier 2 capital.
- (21) The leverage ratio is calculated as Total Tier 1 capital, divided by total leverage ratio exposure measure. The total leverage ratio exposure measure is total assets, excluding central banks claims, derivatives and intangible assets, and adjusted for off-balance sheet items such as pipeline and undrawn collateral, exposure value for derivatives and transitional adjustments. Transitional adjustments refer to adjustments for phasing in the impact of IFRS 9 'Financial Instruments' adoption in accordance with E.U. regulatory transitional arrangements. For the reconciliation of the leverage ratio as at 31 December 2022, 2023, and 2024 and as at 30 June 2025, please refer to section 8.3 of this Part VIII.
- (22) Risk-weighted assets are a measure of assets adjusted for their associated risks. Risk weightings are established in accordance with PRA rules and are used to assess capital requirements and adequacy under Pillar 1.

8. Liquidity and capital resources

8.1 Funding and liquidity

The Group's funding base is predominantly led by retail and SME deposits supplemented by wholesale funding primarily comprising BoE facilities such as the Bank of England's Indexed Long-Term Repo facility ("ILTR") and, in the past, the Bank of England's Term Funding Scheme with additional incentives for SMEs ("TFSME"). The ILTR allows market participants to borrow central bank reserves, being cash, for a six-month period in exchange for other, less liquid assets which serves as collateral. The ILTR uses a competitive auction to lend central bank reserves against a range of eligible collateral. In FY 2024, the Group completed two retained securitisations amounting to £1.0 billion of property assets, providing further liquidity benefits to the Group. Additionally, during 2025, the Group continued repayment of its drawings under the TFSME, reducing the balance to £0.4 billion as at 30 June 2025 and then fully repaying it on 18 July 2025. The Directors believe that the wholesale funding programmes provide diversification and are accessed on a tactical basis when they provide a competitive cost relative to the Group's core retail funding.

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.

The Group maintains a liquidity buffer of high-quality liquid assets, as defined by the European Banking Authority ("EBA") mandates adopted by the PRA. These assets can be monetised to meet stress requirements in line with internal stress testing and the requirements of the aforementioned LCR regulations. 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. The following table sets out the components of the Group's liquidity buffer for the period under review:

(£m)	As at and for the year ended 31 December			As at and for the six months ended 30 June
	2022	2023	2024	2025
Cash and withdrawable central bank reserves (LCR level 1 assets).....	2,004.3	2,451.9	2,241.0	1,549.4
Central government assets (LCR level 1 assets).....	—	—	79.3	55.5
Extremely high-quality covered bonds (LCR level 1 assets).....	453.6	480.7	722.5	839.3
High-quality covered bonds (LCR level 2A assets).....	9.0	—	—	—
Asset-backed securities (LCR level 2B assets).....	13.5	57.8	118.7	196.9
Total liquidity buffer.....	2,480.4	2,990.4	3,161.5	2,641.1

The following table sets out the Group's LCR for the period under review:

(£m)	As at and for the year ended 31 December			As at and for the six months ended 30 June
	2022	2023	2024	2025
Liquidity buffer	2,480.4	2,990.4	3,161.5	2,641.1
Total net cash outflows	772.1	1,138.0	1,796.1	2,035.3
Liquidity coverage ratio (per cent.).....	321.3	262.8	176.0	130.0

A proportion of the Group's assets have the potential to be used as collateral to support central bank or other wholesale funding activity. 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 are encumbered. All other assets are defined as unencumbered assets. These comprise assets that are potentially available to be used as collateral and assets that, due to their nature, are not suitable to be used as collateral.

8.2 Cash flows

The following table sets forth the Group's cash flows from operating activities, investing activities and financing activities:

(£m)	For the year ended 31 December			For the six months ended 30 June	
	2022	2023	2024	2024	2025
	Audited	Audited	Audited	Unaudited	Unaudited
Cash flows from operating activities					
Profit before tax	233.0	286.7	295.1	127.1	163.1
Adjustments for non-cash items and other adjustments included in the statement of profit and loss.....	61.3	73.5	82.7	45.8	46.3
(Increase)/decrease in operating assets	(2,233.9)	(2,494.5)	(1,544.0)	(967.7)	(548.3)
Increase/(decrease) in operating liabilities	2,633.0	2,738.3	2,182.3	1,386.0	910.0
Tax paid.....	(61.9)	(88.1)	(85.5)	(56.6)	(42.9)
Net cash generated from operating activities.....	631.5	515.9	930.6	534.6	528.2
Cash flows from investing activities					
Purchase of investment securities	(204.8)	(365.4)	(898.8)	(746.4)	(870.2)
Disposals and maturities of investment securities.....	33.5	211.6	184.0	340.0	73.7
Purchase of property, plant and equipment	(0.5)	(0.9)	(2.7)	(1.1)	(0.4)
Purchase and development of intangible assets.....	(9.4)	(14.5)	(15.1)	(5.6)	(9.3)
Purchase of subordinated debt	—	—	—	—	—
Investment in right-of-use asset.....	—	—	(6.9)	—	—
Purchase of subsidiary, net of cash acquired	—	(8.8)	—	—	—
Net cash used by investing activities..	(181.2)	(178.0)	(739.5)	(413.1)	(806.2)
Cash flows from financing activities					
Increase/(decrease) in amounts due to banks	298.0	(93.7)	(28.9)	(32.6)	(380.2)
Issue of debt securities	—	200.0	250.0	250.0	—
Repurchase and redemption of debt securities.....	(203.4)	(170.3)	(453.7)	(57.5)	(118.0)
Costs arising on issue of debt securities	(0.3)	(0.2)	(1.0)	—	—
Payment of principal portion of lease liabilities	(2.2)	(2.3)	(2.2)	(1.3)	(0.2)
Issue of subordinated debt.....	—	90.0	—	—	75.0
Redemption of subordinated debt.....	—	—	(20.0)	—	(30.2)
Costs arising on issue of subordinated debt.....	—	(1.0)	—	—	(0.5)
Costs arising on issue of capital securities.....	(2.1)	—	—	—	—
Coupon paid to holders of capital securities	(8.8)	(16.9)	(15.1)	(7.7)	(7.6)
Capital contribution.....	—	14.3	—	—	—
Net cash generated from/(used by) financing activities	81.2	19.9	(270.9)	150.9	(461.7)
Net increase in cash and cash equivalents	531.5	357.8	(79.8)	272.4	(739.7)
Cash and cash equivalents as at 1 January	1,739.6	2,271.1	2,628.9	2,628.9	2,549.1
Cash and cash equivalents as at the end of the period	2,271.1	2,628.9	2,549.1	2,901.3	1,809.4

8.2.1 Comparison of the Group's cash flows for the year ended 31 December 2023 and for the year ended 31 December 2022

- **Cash flows from operating activities:** the Group's net cash generated from operating activities reflects the Group's profit before tax, adjustments for non-cash items and other adjustments included in the statement of profit and loss, increase in operating assets, increase in operating liabilities and increase in the tax paid. The Group's net cash generated from operating activities decreased from £631.5 million in FY 2022 to £515.9 million in FY 2023 mainly due to an increase in the operating assets and tax paid, which was offset to some extent by the increase in the profit before tax and increase in operating liabilities.
- **Cash flows from investing activities:** the Group's net cash used by investing activities decreased from £(181.2) million in FY 2022 to £(178.0) million in FY 2023 mainly due to an increase in the purchase of investment securities consisting of mortgage-backed securities and restricted amounts invested in short-term money market funds by consolidated structured entities, which was offset to some extent by an increase in the disposals and maturities of investment securities.
- **Cash flows from financing activities:** the Group's net cash generated by financing activities decreased from £81.2 million for FY 2022 to £19.9 million for FY 2023. This was mainly due to the decrease in amount due to banks and the repurchase and redemption of debt securities, which was offset to some extent by issuance of subordinated debt amounting to £90 million and issuance of debt securities amounting to £200 million.

8.2.2 Comparison of the Group's cash flows for the year ended 31 December 2024 and for the year ended 31 December 2023

- **Cash flows from operating activities:** the Group's net cash generated from operating activities reflects the Group's profit before tax, adjustments for non-cash items and other adjustments included in the statement of profit and loss, increase in operating assets, increase in operating liabilities and the tax paid. The Group's net cash generated from operating activities increased from £515.9 million in FY 2023 to £930.6 million in FY 2024 mainly due to an increase in customer deposits of £2,241.3 million which more than offset the increase in loans and advances to customers of £1,609.4 million.
- **Cash flows from investing activities:** the Group's net cash used by investing activities increased from £(178.0) million in FY 2023 to £(739.5) million in FY 2024 mainly due to an increase in the purchase of investment securities.
- **Cash flows from financing activities:** the Group's net cash generated from financing activities reflects a decrease in amounts due to banks, issue of debt securities and repurchase and redemption of debt securities. The Group's net cash used by financing activities was £(270.9) million in FY 2024 as compared to net cash generated from financing activities amounting to £19.9 million in FY 2023.

8.2.3 Comparison of the Group's cash flows for the six months ended 30 June 2025 and for the six months ended 30 June 2024

- **Cash flows from operating activities:** the Group's net cash generated from operating activities reflects the Group's profit before tax, adjustments for non-cash items and other adjustments included in the statement of profit and loss, increase in operating assets, increase in operating liabilities and the tax paid. The Group's net cash generated from operating activities decreased from £534.6 million in H1 2024 to £528.2 million in H1 2025 mainly due to an increase in the operating assets and decrease in the operating liabilities which was partially offset by an increase in the profit before tax.

- **Cash flows from investing activities:** the Group's net cash used by investing activities increased from £(413.1) million in H1 2024 to £(806.2) million in H1 2025 mainly due to purchase of investment securities as part of the securitisation transactions.
- **Cash flows from financing activities:** the Group's net cash used by financing activities was £(461.7) million in H1 2025 as compared to net cash generated from financing activities amounting to £150.9 million in H1 2024. This was mainly due to repayment of debt securities.

8.3 Capital position and liquidity management

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 Group conducts an Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP") and other associated stress tests, which are approved by the Directors. Stress testing is a major component of capital and 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 Asset and Liability Committee and the Board of Directors. A comprehensive review of the Group's Liquidity Risk Framework, including stress testing, is conducted at least annually through the ILAAP. The Asset and Liability Committee, Risk Committee and the Board of Directors are closely 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.

The ICAAP is used to assess the Group's capital adequacy and determine the levels of capital required to support the current and future risks in the business based on the Group's business plan. The Asset and Liability Committee, Executive Risk Committee, Risk Committee and the Board of Directors are closely involved in the full ICAAP life cycle, with all challenges clearly documented.

The Group applies the regulatory framework defined by the revised Capital Requirements Regulation and Capital Requirements Directive. Directive requirements are implemented in the United Kingdom by the PRA and supplemented through additional regulation under the PRA's 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 that 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 in order 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 two years (or earlier if required), which 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.

Regulatory capital consists of the sum of the following elements:

- Common Equity Tier 1 capital: includes common equity (as well as any share premiums relating to such instruments) and retained earnings.
- Additional Tier 1 capital: includes deeply subordinated perpetual instruments issued in accordance with the requirements of the UK CRR (as well as any share premiums relating to such instruments).
- Tier 2 capital: comprises dated or perpetual subordinated instruments issued in accordance with the requirements of the UK CRR (as well as any share premiums relating to such instruments) and certain other risk-weighted exposure amounts.

For further information in this regard, please refer to Part VI (*Supervision and Regulation*) of this Registration Document.

The Group's various capital ratios and calculation of its leverage ratios are set out below:

(per cent.)	As at 31 December			As at 30 June
Capital ratios	2022	2023	2024	2025
Common Equity Tier 1 capital ratio	12.7	12.9	13.0	13.1
Total Tier 1 capital ratio	14.3	14.3	14.2	14.3
Total capital ratio	15.6	16.4	15.9	15.8

	As at 31 December			As at 30 June
Leverage ratio	2022	2023	2024	2025
				(£m)
Total Tier 1 capital	1,070.9	1,241.8	1,416.2	1,515.7
Exposure measure				
Total statutory assets	13,938.7	17,236.2	19,722.7	20,275.1
Regulatory adjustments to statutory assets	(293.8)	(435.9)	(402.6)	(380.6)
Central bank claims	(2,037.1)	(2,188.1)	(2,244.7)	(1,575.8)
Off-balance sheet items	372.1	403.6	396.0	434.6
Exposure value for derivatives	340.0	161.6	126.7	105.5
Securities financial transactions	–	65.4	18.4	12.6
Transitional adjustment for IFRS 9	24.5	17.5	10.4	–
Regulatory deductions	(104.1)	(114.6)	(146.9)	(145.5)
Total exposures	12,240.3	15,145.7	17,480.0	18,725.9
Leverage ratio (per cent.)	8.8	8.2	8.1	8.1

9. Financial Position

9.1 Assets

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Assets				
Cash and balances at central banks	2,037.1	2,188.1	2,244.7	1,575.8
Loans and advances to banks	263.6	480.7	304.4	233.6
Loans and advances to customers	10,457.1	13,279.3	15,176.6	15,806.3
Investment securities	691.0	822.1	1,513.6	2,279.7
Derivative financial assets	330.7	252.7	227.1	125.4
Current tax receivable	–	–	14.5	15.6
Property, plant and equipment	48.3	40.5	65.5	60.7
Intangible assets	76.4	107.2	124.0	126.6
Deferred tax assets	19.4	35.7	16.0	18.3
Other assets	15.1	29.9	36.3	33.1
Total assets	13,938.7	17,236.2	19,722.7	20,275.1

9.1.1 Comparison of the Group's assets as at 31 December 2022 and 31 December 2023

The Group's total assets increased by 23.7 per cent. from £13,938.7 million as at 31 December 2022 to £17,236.2 million as at 31 December 2023.

The Group's cash and balances at central banks increased by 7.4 per cent. from £2,037.1 million as at 31 December 2022 to £2,188.1 million as at 31 December 2023. As part of the cash and balances at central banks, the mandatory deposits with central banks which are not available for use in the Group's day-to-day business and are non-interest bearing, were £39.9 million as at 31 December 2023 as compared to £29.6 million as at 31 December 2022.

The Group's loans and advances to banks increased by 82.4 per cent. from £263.6 million as at 31 December 2022 to £480.7 million as at 31 December 2023.

The Group's loans and advances to customers increased by 27.0 per cent. from £10,457.1 million as at 31 December 2022 to £13,279.3 million as at 31 December 2023. The increase in loans and advances to customers was primarily due to new loan originations and the BML Acquisition.

The Group's investment securities increased by 19.0 per cent. from £691.0 million as at 31 December 2022 to £822.1 million as at 31 December 2023. The increase in investment securities was primarily on account of increased purchase of covered bonds and debt securities, of which the covered bonds and debt securities, if eligible, are used as collateral to draw-down funding from the TFSME, ILTR or other similar BoE funding schemes. Debt securities represent mortgage-backed debt securities, of which £117.6 million were issued by unconsolidated structured entities in FY 2023 as part of securitisation transactions that were retained by the Group, as compared to £126.4 million in FY 2022.

The Group's derivative financial assets decreased by 23.6 per cent. from £330.7 million as at 31 December 2022 to £252.7 million as at 31 December 2023. The decrease in derivative financial assets was primarily on account of a decrease in the fair value of interest rate swaps due to market interest rates and composition.

The Group's property, plant and equipment decreased by 16.1 per cent. from £48.3 million as at 31 December 2022 to £40.5 million as at 31 December 2023.

9.1.2 Comparison of the Group's assets as at 31 December 2023 and 31 December 2024

The Group's total assets increased by 14.4 per cent. from £17,236.2 million as at 31 December 2023 to £19,722.7 million as at 31 December 2024.

The Group's cash and balances at central banks increased by 2.6 per cent. from £2,188.1 million as at 31 December 2023 to £2,244.7 million as at 31 December 2024. As part of the cash and balances at central banks, the mandatory deposits with central banks which are not available for use in the Group's day-to-day business and are non-interest bearing, were nil as at 31 December 2024 as compared to £39.9 million as at 31 December 2023.

The Group's loans and advances to banks, decreased by 36.7 per cent. from £480.7 million as at 31 December 2023 to £304.4 million as at 31 December 2024.

The Group's loans and advances to customers increased by 14.3 per cent. from £13,279.3 million as at 31 December 2023 to £15,176.6 million as at 31 December 2024. The increase in loans and advances to customers was primarily on account of increased new loan origination.

The Group's investment securities increased by 84.1 per cent. from £822.1 million as at 31 December 2023 to £1,513.6 million as at 31 December 2024. The increase in investment securities was primarily on account of the Group's increase in its holdings in covered bonds and debt securities.

The Group's derivative financial assets decreased by 10.1 per cent. from £252.7 million as at 31 December 2023 to £227.1 million as at 31 December 2024. The decrease in derivative financial assets was primarily on account of a decrease in the fair value of interest rate swaps due to market interest rates and composition.

The Group's property, plant and equipment increased by 61.7 per cent. from £40.5 million as at 31 December 2023 to £65.5 million as at 31 December 2024. The increase in property, plant and equipment was primarily due to recognition of a right-of-use asset of £28.1 million in relation to the 10-year lease for the Group's new office in London, which was partially offset by certain disposals.

9.1.3 Comparison of the Group's assets as at 31 December 2024 and 30 June 2025

The Group's total assets increased by 2.8 per cent. from £19,722.7 million as at 31 December 2024 to £20,275.1 million as at 30 June 2025.

The Group's cash and balances at central banks decreased by 29.8 per cent. from £2,244.7 million as at 31 December 2024 to £1,575.8 million as at 30 June 2025, reflecting changes in the liquid assets held by the Group. As part of the cash and balances at central banks, the mandatory deposits with central banks which are not available for use in the Group's day-to-day business and are non-interest bearing, were nil as at 30 June 2025.

The Group's loans and advances to banks, decreased by 23.3 per cent. from £304.4 million as at 31 December 2024 to £233.6 million as at 30 June 2025.

The Group's loans and advances to customers increased by 4.1 per cent. from £15,176.6 million as at 31 December 2024 to £15,806.3 million as at 30 June 2025. The increase in loans and advances to customers was primarily on account of increased new loan origination, which was partially offset by the completion of a securitisation of TML's buy-to-let and owner-occupied loans which was completed in May 2025 with a carrying amount of £563.5 million (net of £1.7 million loss allowance).

The Group's investment securities increased by 50.6 per cent. from £1,513.6 million as at 31 December 2024 to £2,279.7 million as at 30 June 2025. The increase in investment securities was primarily on account of the Group's increase in its holdings in covered bonds and investment securities, in particular, the funding of the completed TML securitisation.

The Group's derivative financial assets decreased by 44.8 per cent. from £227.1 million as at 31 December 2024 to £125.4 million as at 30 June 2025. The decrease in derivative financial assets was primarily on account of a decrease in the fair value of interest rate swaps due to market interest rates and composition.

The Group's property, plant and equipment decreased by 7.3 per cent. from £65.5 million as at 31 December 2024 to £60.7 million as at 30 June 2025.

9.2 Liabilities

(£m)	As at 31 December			As at 30 June
	2022	2023	2024	2025
Liabilities				
Amounts due to banks	1,498.7	1,405.0	1,376.1	995.9
Customer deposits	10,914.5	13,562.7	15,804.0	16,683.0
Provisions	6.0	15.9	11.5	9.6
Derivative financial liabilities	90.5	184.5	117.1	108.9
Debt securities in issue	116.4	462.8	549.2	425.5
Current tax liabilities	3.2	1.4	–	–
Lease liabilities	7.4	6.1	25.6	25.4
Other liabilities	65.4	70.6	85.8	126.9
Subordinated debt liability	96.8	188.5	171.1	215.5
Total liabilities	12,798.9	15,897.5	18,140.4	18,590.7

9.2.1 Comparison of the Group's liabilities as at 31 December 2022 and 31 December 2023

The Group's total liabilities increased by 24.2 per cent. from £12,798.9 million as at 31 December 2022 to £15,897.5 million as at 31 December 2023.

The Group's amounts due to banks decreased by 6.3 per cent. from £1,498.7 million as at 31 December 2022 to £1,405.0 million as at 31 December 2023. The decrease in amounts due to banks was primarily on account of reduced collateral received from swap counterparties as part of derivative contracts.

The Group's customer deposits increased by 24.3 per cent. from £10,914.5 million as at 31 December 2022 to £13,562.7 million as at 31 December 2023. The increase in customer deposits was primarily on account of increasing business and new customer accounts.

The Group's derivative financial liabilities increased by 103.9 per cent. from £90.5 million as at 31 December 2022 to £184.5 million as at 31 December 2023. The increase in derivative financial liabilities was primarily on account of the changes to the carrying value of the derivatives. As such derivatives are held at fair value, differences in the market interest rates at the reporting date and trade date result in a change in the fair value.

The Group's debt securities in issue increased by 297.6 per cent. from £116.4 million as at 31 December 2022 to £462.8 million as at 31 December 2023. The increase in debt securities in issue was primarily on account of issuances of asset-backed notes issued to external investors by consolidated structured entities as part of securitisation transactions.

The Group's other liabilities increased by 8.0 per cent. from £65.4 million as at 31 December 2022 to £70.6 million as at 31 December 2023. The increase in other liabilities was primarily on account of an increase in accruals.

The Group's subordinated debt liabilities increased by 94.7 per cent. from £96.8 million as at 31 December 2022 to £188.5 million as at 31 December 2023. The increase in the subordinated debt liabilities was primarily on account of issuance during the year of 12.25 per cent. fixed rate reset callable subordinated notes for an amount of £90.0 million.

9.2.2 Comparison of the Group's liabilities as at 31 December 2023 and 31 December 2024

The Group's total liabilities increased by 14.1 per cent. from £15,897.5 million as at 31 December 2023 to £18,140.4 million as at 31 December 2024.

The Group's amounts due to banks decreased by 2.1 per cent. from £1,405.0 million as at 31 December 2023 to £1,376.1 million as at 31 December 2024. The decrease in amounts due to banks was primarily on account of reduced collateral received from swap counterparties as part of derivative contracts.

The Group's customer deposits increased by 16.5 per cent. from £13,562.7 million as at 31 December 2023 to £15,804.0 million as at 31 December 2024. The increase in customer deposits was primarily on account of increasing business and new customer accounts.

The Group's derivative financial liabilities decreased by 36.5 per cent. from £184.5 million as at 31 December 2023 to £117.1 million as at 31 December 2024. The decrease in derivative financial liabilities was primarily on account of the changes to the carrying value of the derivatives. As such derivatives are held at fair value, differences in the market interest rates at the reporting date and trade date result in a change in the fair value.

The Group's debt securities in issue increased by 18.7 per cent. from £462.8 million as at 31 December 2023 to £549.2 million as at 31 December 2024. The increase in debt securities in issue was primarily on account of issuances of asset-backed notes issued to external investors by consolidated structured entities as part of securitisation transactions.

The Group's other liabilities increased by 21.5 per cent. from £70.6 million as at 31 December 2023 to £85.8 million as at 31 December 2024. The increase in other liabilities was primarily on account of an increase in accruals.

The Group's subordinated debt liabilities decreased by 9.2 per cent. from £188.5 million as at 31 December 2023 to £171.1 million as at 31 December 2024. The decrease in the subordinated debt liabilities was primarily on account of redemption by the Group of its fixed rate reset callable subordinated notes with a nominal value of £20.3 million.

9.2.3 Comparison of the Group's liabilities as at 31 December 2024 and 30 June 2025

The Group's total liabilities increased by 2.5 per cent. from £18,140.4 million as at 31 December 2024 to £18,590.7 million as at 30 June 2025.

The Group's amounts due to banks decreased by 27.6 per cent. from £1,376.1 million as at 31 December 2024 to £995.9 million as at 30 June 2025. The decrease in amounts due to banks was primarily on account of TFSME drawings reduced from £800.0 million as at 31 December 2024 to £400.0 million as at 30 June 2025, partially offset by an increase in LTR drawings of £100.0 million as at 30 June 2025.

The Group's customer deposits increased by 5.6 per cent. from £15,804.0 million as at 31 December 2024 to £16,683.0 million as at 30 June 2025. The increase in customer deposits was primarily on account of increasing business and new customer accounts.

The Group's derivative financial liabilities decreased by 7.0 per cent. from £117.1 million as at 31 December 2024 to £108.9 million as at 30 June 2025. The decrease in derivative financial liabilities was primarily on account of the changes to the carrying value of the derivatives. As such derivatives are held at fair value, differences in the market interest rates at the reporting date and trade date result in a change in the fair value.

The Group's debt securities in issue decreased by 22.5 per cent. from £549.2 million as at 31 December 2024 to £425.5 million as at 30 June 2025. The decrease in debt securities in issue was primarily on account of the call of Genesis Mortgage Funding 2022-1 plc.

The Group's other liabilities increased by 47.9 per cent. from £85.8 million as at 31 December 2024 to £126.9 million as at 30 June 2025. The increase in other liabilities was primarily on account of timing differences in treasury settlement dates.

The Group's subordinated debt liabilities increased by 25.9 per cent. from £171.1 million as at 31 December 2024 to £215.5 million as at 30 June 2025. The increase in the subordinated debt liabilities was primarily on account of the refinancing of the Group's £75.0 million Tier 2 Capital Notes with £44.8 million repayable in July 2025 following the call of the existing instrument.

10. Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The Group includes certain uncommitted facilities within its reported loan commitments where the terms are such that the Group has an obligation to the customer should the customer get into financial distress. The Group had loan commitments, which are not recognised in the statement of financial position, of £1,628.7 million as at 31 December 2022, £1,280.8 million as at 31 December 2023, £1,414.4 million as at 31 December 2024 and £1,483.2 million as at 30 June 2025. A loss allowance is held against these loan commitments, which is recognised in provisions in the statement of financial position of £0.5 million as at 31 December 2022, £3.8 million as at 31 December 2023, £0.6 million as at 31 December 2024 and £0.6 million as at 30 June 2025.

11. Capital expenditure

The Group's capital expenditures include (i) purchase of property, plant and equipment mainly relating to new leasehold property and assets on operating leases; and (ii) purchase and development of intangible assets mainly relating to computer software but also including assets recognised on the acquisition of businesses. In the years ended 31 December 2022, 2023, and 2024, the Group's capital expenditure was £9.9 million, £15.4 million and £17.8 million, respectively, and during the six months ended 30 June 2024 and 2025, the Group's capital expenditure was £6.7 million and £9.7 million, respectively. The increase in the Group's capital expenditures was due to a number of strategic initiatives. For example, in 2023, the Group launched a new digital SME term loan product to support businesses to finance capital expenditure as well as the Lending Hub project in the Group's Real Estate business, a product transfer solution for the Group's Retail Mortgage Brand customers and new cloud contact-centre technology.

In 2024, the Group launched its PEXA Create Workspace API, continued to invest in its Digital Savings Platform to enhance customer experiences, invested in upgrading its core banking platform and implemented an end-to-end, digitally enabled Credit Management Platform to manage SME credit risk from origination through in-life management. The Group also completed the move to its new London office in October 2024, for which the Group recognised a right-of-use asset of £28.1 million in the statement of financial position as at 31 December 2024 and a corresponding lease liability of £21.3 million in relation to the 10-year lease. In addition, the Group adopted new artificial intelligence and machine learning tools to improve customer and colleague experiences through the customer life cycle. For FY 2025, the Group expects its capital expenditure to be in line with the capital expenditure for recent years.

12. Off-balance sheet commitments

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 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 BoE for use as collateral against amounts drawn under its funding schemes. The debt securities sold are not derecognised and the UK gilts purchased are not recognised in the statement of financial position and would, accordingly, be an off-balance sheet transaction.

For further information in relation to such transactions, please refer to Note 15 of Section B of Part IX (*Historical Financial Information*).

13. Qualitative and quantitative disclosure about market risk

The Group seeks to manage the risks inherent in its business activities and operations through close and disciplined risk management. It aims to quantify the risks taken, manage and mitigate them as far as possible and then price appropriately for the residual level of risk carried 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, changes in the way customers want to engage with the Group, as well as external changes and developments such as the ongoing challenges resulting from the rising cost of living.

A brief description of the principal risks faced by the Group is set out below:

- **Liquidity risk:** Liquidity risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost.
- **Credit risk:** Credit risk is 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.
- **Market risk:** Market risk is the risk of financial loss through unhedged or mismatched asset and liability positions that are sensitive to changes in interest rates or currencies. Market risk incorporates interest rate risk, basis risk and foreign exchange risk, below.
- **Interest rate Risk:** Interest rate risk is the risk of loss arising from adverse movements in market interest rates.
- **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 Rate).
- **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.
- **Capital Risk:** Capital risk is 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.
- **Operational risk:** Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, data and management information availability, system failures or from external events.
- **Technology and cyber risk:** Technology and cyber risk is 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).
- **Strategic risk:** Strategic risk is 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 equality, diversion and inclusion.
- **Conduct risk:** Conduct risk is the risk that the Group's behaviour will result in poor customer outcomes through the delivery of the Group's products, propositions and services.
- **Compliance and regulatory risk:** Compliance and regulatory risk is 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.
- **Climate risk:** Climate risk is 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.

- **Financial crime risk:** Financial crime risk is the risk that the Group's processes may be used to commit financial crime.
- **Model risk:** Model risk is the risk of financial loss due to the failure to appropriately design, implement, monitor, validate and use models for their intended purpose.

For further details in relation to the material risks applicable to the Group, please refer to Part I (*Risk Factors*) of this Registration Document.

14. **Critical accounting policies requiring management judgement and discretion**

The discussion and analysis of the Group's financial condition and results of operations are based upon the Group's Financial Statements, which have been prepared in accordance with IFRS. The preparation of the 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.

For 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, please refer to Note 3 of Section B of Part IX (*Historical Financial Information*).

PART IX

HISTORICAL FINANCIAL INFORMATION

Section A: Accountants' report on Historical Financial Information

The Directors
Shawbrook Group plc
Lutea House, Warley Hill Business Park
The Drive
Great Warley
Brentwood
CM13 3BE
United Kingdom

6 October 2025

Ladies and Gentlemen

Shawbrook Group plc

We report on the financial information set out on pages 171 to 326 for the three years ended 31 December 2024. This report is required by Item 18.3.1 of Annex 1 of the UK version of Commission Delegated Regulation (EU) 2019/980 (the 'PR Regulation') and is given for the purpose of complying with that item and for no other purpose.

Opinion on financial information

In our opinion, the Historical Financial Information gives, for the purposes of the Registration Document dated 6 October 2025, a true and fair view of the state of affairs of Shawbrook Group plc as at 31 December 2022, 31 December 2023 and 31 December 2024 and of its profits/losses, other comprehensive income, cash flows and statement of changes in equity for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 in accordance with the basis of preparation set out in Note 1 and in accordance with UK-adopted IFRS, as defined by the UK Endorsement Board as described in Note 1.

Responsibilities

The Directors of Shawbrook Group plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with UK-adopted IFRS, as defined by the UK Endorsement Board.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Item 1.2 of Annex 1 to the PR Regulation to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 1 of the PR Regulation, consenting to its inclusion in the Registration Document.

Basis of Preparation

The financial information has been prepared for inclusion in the Registration Document dated 6 October 2025 of Shawbrook Group plc on the basis of the accounting policies set out in Note 2.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the 'FRC'). We are independent, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Conclusions Relating to Going Concern

The Directors have prepared the Historical Financial Information on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the 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 its ability to continue as a going concern for at least a year from the date of approval of the financial information ("the going concern period").

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Historical Financial Information is appropriate; and
- 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 Company's ability to continue as a going concern for the going concern period.

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 Company will continue in operation.

Declaration

For the purposes of Item 1.2 of Annex 1 to the PR Regulation we are responsible for this report as part of this Registration Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Registration Document in compliance with Item 1.2 of Annex 1 of the PR Regulation.

Yours faithfully

KPMG LLP

Section B: Historical Financial Information of the Company and its subsidiary undertakings for the years ended 31 December 2022, 2023, and 2024

Consolidated Statement of Profit and Loss

£m		Note	For the year ended 31 December		
			2024	2023	2022
Interest income calculated using the effective interest rate method		6	1,199.3	946.0	588.1
Other interest and similar income		6	187.7	197.8	36.2
Interest expense and similar charges		7	(796.1)	(567.3)	(164.6)
Net interest income			590.9	576.5	459.7
Operating lease rental income			8.7	9.6	10.1
Depreciation on operating leases			(7.4)	(8.2)	(8.7)
Net other operating lease income			0.1	0.1	0.3
Net operating lease income			1.4	1.5	1.7
Fee and commission income		8	16.2	16.9	14.1
Fee and commission expense		8	(16.1)	(12.6)	(8.6)
Net fee and commission income			0.1	4.3	5.5
Net gains on structured asset sales		9	14.1	-	-
Net gains on derecognition of financial assets measured at amortised cost			-	-	7.7
Net gains/(losses) on derivative financial instruments and hedge accounting			1.9	5.1	(0.8)
Net other operating income/(expense)			1.4	(0.9)	2.4
Net operating income			609.8	586.5	476.2
Administrative expenses		10	(252.8)	(226.6)	(194.7)
Impairment losses on financial assets		11	(67.2)	(60.1)	(47.7)
Provisions		24	5.3	(13.1)	(0.8)
Total operating expenses			(314.7)	(299.8)	(243.2)
Profit before tax			295.1	286.7	233.0
Tax		12	(75.2)	(74.6)	(58.3)
Profit after tax, attributable to owners			219.9	212.1	174.7

£		Note	For the year ended 31 December		
			2024	2023	2022
Earnings per share		40			
Basic			0.87	0.84	0.69
Diluted			0.87	0.84	0.69

Consolidated Statement of Other Comprehensive Income

£m	Note	For the year ended 31 December		
		2024	2023	2022
Profit after tax		219.9	212.1	174.7
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	17	17.6	(23.1)	38.4
Reclassifications to statement of profit and loss	17	(6.2)	(6.8)	(2.2)
Related tax	20	(3.2)	8.0	(9.8)
Movement in cash flow hedging reserve		8.2	(21.9)	26.4
Fair value through other comprehensive income reserve				
Net gains/(losses) from changes in fair value		35.6	9.9	(17.1)
Change in loss allowance	11	5.3	4.3	2.4
Related tax	20	(11.0)	(3.8)	4.0
Movement in fair value through other comprehensive income reserve		29.9	10.4	(10.7)
Total items that may be reclassified subsequently to the statement of profit and loss		38.1	(11.5)	15.7
Other comprehensive income/(expense), net of tax		38.1	(11.5)	15.7
Total comprehensive income, attributable to owners		258.0	200.6	190.4

Consolidated Statement of Financial Position

£m	Note	As at 31 December		
		2024	2023	2022
Assets				
Cash and balances at central banks	13	2,244.7	2,188.1	2,037.1
Loans and advances to banks	13	304.4	480.7	263.6
Loans and advances to customers	14	15,176.6	13,279.3	10,457.1
Investment securities	16	1,513.6	822.1	691.0
Derivative financial assets	17	227.1	252.7	330.7
Current tax receivable.....		14.5	–	–
Property, plant and equipment.....	18	65.5	40.5	48.3
Intangible assets.....	19	124.0	107.2	76.4
Deferred tax assets.....	20	16.0	35.7	19.4
Other assets	21	36.3	29.9	15.1
Total assets		19,722.7	17,236.2	13,938.7
Liabilities				
Amounts due to banks	22	1,376.1	1,405.0	1,498.7
Customer deposits.....	23	15,804.0	13,562.7	10,914.5
Provisions.....	24	11.5	15.9	6.0
Derivative financial liabilities	17	117.1	184.5	90.5
Debt securities in issue.....	25	549.2	462.8	116.4
Current tax liabilities		–	1.4	3.2
Lease liabilities	26	25.6	6.1	7.4
Other liabilities	27	85.8	70.6	65.4
Subordinated debt liability.....	28	171.1	188.5	96.8
Total liabilities		18,140.4	15,897.5	12,798.9
Equity				
Share capital	30	2.5	2.5	2.5
Share premium account.....		87.3	87.3	87.3
Capital securities	31	123.1	123.1	122.9
Capital contribution reserve		19.9	19.9	5.6
Cash flow hedging reserve		12.7	4.5	26.4
Fair value through other comprehensive income reserve		29.6	(0.3)	(10.7)
Retained earnings		1,307.2	1,101.7	905.8
Total equity		1,582.3	1,338.7	1,139.8
Total equity and liabilities		19,722.7	17,236.2	13,938.7

Consolidated Statement of Cash Flows

£m	Note	For the year ended 31 December		
		2024	2023	2022
Cash flows from operating activities				
Profit before tax		295.1	286.7	233.0
Adjustments for non-cash items and other adjustments included in the statement of profit and loss	33	82.7	73.5	61.3
(Increase)/decrease in operating assets	33	(1,544.0)	(2,494.5)	(2,233.9)
Increase/(decrease) in operating liabilities	33	2,182.3	2,738.3	2,633.0
Tax paid		(85.5)	(88.1)	(61.9)
Net cash generated from operating activities.....		930.6	515.9	631.5
Cash flows from investing activities				
Purchase of investment securities		(898.8)	(365.4)	(204.8)
Disposals and maturities of investment securities		184.0	211.6	33.5
Purchase of property, plant and equipment.....		(2.7)	(0.9)	(0.5)
Purchase and development of intangible assets		(15.1)	(14.5)	(9.4)
Purchase of subordinated debt		—	—	—
Investment in right-of-use asset.....		(6.9)	—	—
Purchase of subsidiary, net of cash acquired.....		—	(8.8)	—
Net cash used by investing activities.....		(739.5)	(178.0)	(181.2)
Cash flows from financing activities				
Increase/(decrease) in amounts due to banks.....		(28.9)	(93.7)	298.0
Issue of debt securities		250.0	200.0	—
Repurchase and redemption of debt securities		(453.7)	(170.3)	(203.4)
Costs arising on issue of debt securities		(1.0)	(0.2)	(0.3)
Payment of principal portion of lease liabilities		(2.2)	(2.3)	(2.2)
Issue of subordinated debt.....		—	90.0	—
Redemption of subordinated debt		(20.0)	—	—
Costs arising on issue of subordinated debt.....		—	(1.0)	—
Costs arising on issue of capital securities.....		—	—	(2.1)
Coupon paid to holders of capital securities.....		(15.1)	(16.9)	(8.8)
Capital contribution.....		—	14.3	—
Net cash generated from/(used by) financing activities.....		(270.9)	19.9	81.2
Net increase in cash and cash equivalents.....		(79.8)	357.8	531.5
Cash and cash equivalents as at 1 January.....	13	2,628.9	2,271.1	1,739.6
Cash and cash equivalents as at 31 December		2,549.1	2,628.9	2,271.1
Additional information on operational cash flows from interest				
Interest paid		(747.5)	(416.8)	(125.2)
Interest received		1,396.7	1,106.6	574.2

Consolidated Statement of Changes in Equity

(£m)	Share capital	Share premium account	Capital securities	Capital contribution reserve	Cash flow hedging reserve	FVOCI reserve	Retained earnings	Total equity
As at 1 January 2024	2.5	87.3	123.1	19.9	4.5	(0.3)	1,101.7	1,338.7
Total comprehensive income for the year:								
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
Transactions recorded directly in equity:								
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

(£m)	Share capital	Share premium account	Capital securities	Capital contribution reserve	Cash flow hedging reserve	FVOCI reserve	Retained earnings	Total equity
As at 1 January 2023	2.5	87.3	122.9	5.6	26.4	(10.7)	905.8	1,139.8
Total comprehensive income for the year:								
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
Transactions recorded directly in equity:								
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

(£m)	Share capital	Share premium account	Capital securities	Capital contribution reserve	Cash flow hedging reserve	FVOCI reserve	Retained earnings	Total equity
As at 1 January 2022	2.5	87.3	124.0	5.6	–	–	740.8	960.2
Total comprehensive income for the year:								
Profit for the year.....	–	–	–	–	–	–	174.7	174.7
Movement in cash flow hedging reserve.....	–	–	–	–	26.4	–	–	26.4
Movement in fair value through other comprehensive income reserve	–	–	–	–	–	(10.7)	–	(10.7)
Total comprehensive income	–	–	–	–	26.4	(10.7)	174.7	190.4
Transactions recorded directly in equity:								
Equity-settled share-based payments	–	–	–	–	–	–	0.1	0.1
Coupon paid on capital securities.....	–	–	121.9	–	–	–	–	121.9
Capital contribution	–	–	(123.0)	–	–	–	(1.0)	(124.0)
Other movements.....	–	–	–	–	–	–	(8.8)	(8.8)
As at 31 December 2022	2.5	87.3	122.9	5.6	26.4	(10.7)	905.8	1,139.8

Notes to the Consolidated Historical Financial Information

1. General information

1.1 Corporate Information

Shawbrook Group plc is domiciled in the UK. The Operating Company's registered office is at Lutea House, Warley Hill Business Park, The Drive, Brentwood, Essex, CM13 3BE. The Group is an independent specialist lending and savings bank serving UK SMEs and individuals. The Group's business, financial condition and results of operations have been affected by a number of significant acquisitions during the period under review, which are described below.

1.2 Bluestone

In May 2023, the Group acquired Bluestone Mortgages, a specialist lender providing residential owner-occupied mortgages. The Group paid a total consideration of £44.7 million, including goodwill of £23.4 million.

1.3 JBR

In September 2024, the Group acquired the specialist car finance lender JBR Capital, for consideration of £22.0 million (including £7.8 million goodwill), 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 39. The Group acquired JBR Capital's £283.4 million loan book, and capability to advance financing into the UK high end and specialist car finance markets.

1.4 Basis of preparation

The Historical Financial Information comprises the consolidated financial information of each of the companies of the Group for the years ended 31 December 2024, 31 December 2023 and 31 December 2022.

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. Consolidated financial statements for the periods ending 31 December 2022, 31 December 2023 and 31 December 2024 have been delivered to the registrar of companies, and the audit report for each period has been unmodified, without emphasis of matter or material uncertainty.

1.5 Basis of accounting

The Historical Financial Information has been prepared on a historical cost basis and in accordance with UK-adopted IFRS, as defined by the UK Endorsement Board.

The Historical Financial Information has been prepared in accordance with the requirements of the Prospectus Directive Regulation, and the Listing Rules.

The accounting policies have been applied consistently to all periods presented in the Historical Financial Information.

1.6 Functional and presentation currency

The Historical Financial Information is presented in Pounds Sterling, which is the Group's functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in profit or loss.

Non-monetary items (which are assets and liabilities which do not attach to a right to receive or an obligation to pay currency) measured at amortised cost and denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rate at the date of valuation. Where these are held at fair value through profit and loss, exchange differences are reported as part of the fair value gain or loss.

1.7 Going Concern

The Historical Financial Information is 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 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 efficiently funded, 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 scenarios as part of the annual planning process and the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). In this reporting period, stress testing considered the impact of a number of severe but plausible scenarios. The stresses included:

- A scenario where the Bank Rate is assumed to increase from 4.75% at December 2024 to 9% by the end of 2025. This scenario assumes that UK Real GDP falls circa 4% and unemployment increases to 8.5%.
- The property stress scenario, where the Group applied the assumption of residential property prices falling by 28% peak to trough before partially recovering to 17% lower in December 2029 than December 2024. Commercial Property Prices fall by 35% peak to trough by 2026 and recovering to 22% below 2024 prices at December 2029. It is worth noting that the largest fall in UK property prices has been 20%.

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. The analysis considered eleven key risk scenarios and did not highlight any factors which cast doubt on the Group's ability to continue as a going concern.

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 this historical financial information 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 this historical financial information.

1.8 Basis of consolidation

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.

This historical financial information consolidates the results of the subsidiary companies set out in Note 35. Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated historical financial information.

1.9 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 2. 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.

1.10 Operating segments

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.

2. Accounting policies

2.1 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. 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.

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.

2.2 Interest income and expense

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' assets), 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' assets), 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., purchased or originated credit-impaired or "POCI" assets), 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.

2.3 Fee and commission income and expense

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.

2.4 Administrative expenses

Administrative expenses are recognised on an accruals basis.

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.

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 historical financial information, 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.

2.5 Tax

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.

2.6 Cash and cash equivalents

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.

Loans and advances to banks include cash collateral paid under terms that are usual and customary for such activities.

2.7 Loans and advances to customers

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.

Finance lease receivables and instalment credit receivables are accounted for as detailed in Note 2.17. 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 2.19 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 2.11).

2.8 Securitisation transactions

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 1.8. 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 2.19. 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 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.

2.9 Investment securities

Investment securities are classified as financial assets measured at amortised cost.

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 2.19 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 2.19 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.

2.10 Derivative financial instruments

Derivative financial instruments are classified as FVTPL see Note 2.19. 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 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 2.11.

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.

2.11 Hedge accounting

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.

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.

2.12 Intangible assets and amortisation

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.

2.13 Investment in subsidiaries

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.

2.14 Amounts due to banks

Amounts due to banks are classified as financial liabilities measured at amortised cost (see Note 2.19).

Amounts due to banks may include liabilities recognised as part of repurchase agreements (see Note 2.9) and cash collateral received under terms that are usual and customary for such activities.

2.15 Customer deposits

Customer deposits are classified as financial liabilities measured at amortised cost (see Note 2.19).

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 2.11).

2.16 Provisions

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 2.20).

2.17 Leases

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 2.20.

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.

2.18 Subordinated debt

Subordinated debt liabilities are classified as financial liabilities measured at amortised cost. (see Note 2.19).

Subordinated debt receivables in the Company are classified as financial assets measured at amortised cost (see Note 2.19).

2.19 Financial assets and financial liabilities

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.

- 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, FVOCI or 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 2.2). Amortised cost is reduced by impairment losses (see Note 2.20). 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 2.2). 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.

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); and
- 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 29. 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 2.10.

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.

2.20 Impairment of financial assets

Impairment of financial assets is 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. 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 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 Note 34.

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 2.19.

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 2.19.

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.

2.21 Capital securities

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.

2.22 Loan commitments

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 2.20. The loss allowance is included within provisions in the statement of financial position.

2.23 Contingent assets and contingent liabilities

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 historical financial information, 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 historical financial information, but they are disclosed unless the probability of settlement is remote.

3. Critical accounting estimates and judgements

The preparation of the Historical Financial Information 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.

The areas involving the most complex and subjective judgements, and areas where estimates are considered to have the most significant effect on the historical financial information, are set out in the following sections:

3.1 Impairment losses on financial assets

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 historical financial information are:

- determining the stage the financial asset is allocated to and therefore whether a 12-month or lifetime ECL is recognised in the historical financial information. 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 PD and LGD.

Additional details of the critical judgements and estimates, including sensitivity analysis, are included in the credit risk section of Note 34.

3.2 Provisions for customer remediation and conduct issues

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 historical financial information 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 2024, 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.

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 the Group has 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 24 and 39.

3.3 Fair value of debt instruments measured at fair value through other comprehensive income

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. 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 29.

3.4 Securitisations

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 historical financial information 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 historical financial information. 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 15.

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 Audit Committee and securitisation transactions were therefore classified as 'other judgement' in the 2024 Annual Report and Accounts.

4. Acquisition of subsidiaries

4.1 JBR Capital

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 35).

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 net operating income for the year ended 31 December 2024 would have been £1.5m and the loss before tax would have been £5.0m. This would have resulted in consolidated net operating income for the Group for the year ended 31 December 2024 of £611.3 million, and the 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 39.

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) i	282.4
Property, plant and equipment	0.5		0.5
Intangible assets	1.7	2.0 ii	3.7
Other assets	1.1	(0.5) iii	0.6
Derivative financial liabilities	(1.6)		(1.6)
Debt securities in issue	(289.1)		(289.1)
Intercompany loan	(14.3)		(14.3)
Lease liabilities	(0.4)		(0.4)
Deferred tax liabilities	(0.5)	(0.5) iv	(1.0)
Other liabilities	(2.6)	(0.3) v	(2.9)
Total identifiable net assets acquired	14.5	(0.3)	14.2

Fair value adjustments per above table:

- i) 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.
- ii) 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 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.
- iii) The £0.5 million negative fair value adjustment to other assets comprises a write-off of prepayment made by the Group.
- iv) The £0.5 million fair value adjustment to deferred tax liabilities comprises the deferred tax arising from recognition of separately identifiable intangible assets.
- v) The £0.3 million fair value adjustment to other liabilities comprises an accrual of audit fees.

As detailed in 'i' 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.

4.2 Bluestone

On 31 May 2023, following the receipt of regulatory and legal approval, Shawbrook Bank Limited, the Group's principal subsidiary, completed the acquisition of 100% of the ordinary shares of BML, making BML a wholly-owned subsidiary of the Group.

BML is a specialist mortgage lender focused primarily on residential owner-occupied mortgages. Acquiring BML will strengthen the Group's presence in the specialist mortgage market, providing the Group with growth opportunities through an extended product range and increased distribution network.

BML has four wholly-owned subsidiary companies, along with two subsidiaries by virtue of control, all of which become indirect subsidiary companies of the Group as part of this acquisition (see Note 35).

BML commenced being consolidated as a subsidiary of the Group from 31 May 2023, the date control transferred to the Group. In the seven months of the reporting period that BML has been a subsidiary of the Group, it has contributed a net operating loss of £1 million and a loss before tax of £10.1 million to the Group's results. If the acquisition had occurred on 1 January 2023, it is estimated that the net operating income for the year ended 31 December 2023 would have been £6.4m, and the profit before tax would have been £3.0m. This would have resulted in consolidated net operating income for the Group for the year ended 31 December 2023 of £592.9 million, and consolidated profit before tax for the Group would have been £289.7 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 2023.

Consideration transferred

The acquisition date fair value of each major class of consideration transferred is as follows:

	£m
Cash	44.7
Total fair value of consideration transferred	44.7

There are no contingent consideration arrangements.

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. Details of the fair value adjustments recognised are set out on the following page as cross referenced in the table.

	Carrying amount £m	Fair value adjustment (See note below table) £m	Fair value £m
Cash and balances at central banks	35.9		35.9
Loans and advances to customers.....	299.4	(3.2) i	296.2
Derivative financial assets	15.1		15.1
Property, plant and equipment	1.4		1.4
Intangible assets	2.4	(1.4) ii	1.0
Deferred tax assets	0.3		0.3
Other assets	5.0		5.0
Debt securities in issue	(316.9)		(316.9)
Lease liabilities	(1.0)		(1.0)
Other liabilities	(15.7)		(15.7)
Total identifiable net assets acquired	25.9	(4.6)	21.3

Fair value adjustments per above table:

- The net £3.2 million negative fair value adjustment to loans and advances to customers comprises: £0.9 million to remove the loss allowance on acquisition, as required by acquisition accounting; offset by a negative £4.1 million fair value adjustment reflecting the output of discounted cash flow model calculations.
- The net £1.4 million fair value adjustment to intangible assets comprises: the recognition of a £1.0 million separately identifiable intangible asset for broker relationships; offset by a negative £2.4 million fair value adjustment to reduce the value of capitalised software development costs.

As detailed in 'i' 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 £0.4 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	44.7
Fair value of identifiable net assets acquired.....	(21.3)
Goodwill recognised.....	23.4

The goodwill recognised is mainly attributable to the synergies expected to be achieved from integrating BML into the Group.

None of the goodwill recognised is expected to be tax deductible for trading purposes.

Acquisition related costs

In the year ended 31 December 2024, costs related to the acquisition of JBR of £2.5 million are recognised in administrative expenses in the statement of profit and loss.

In the year ended 31 December 2023, costs related to the acquisition of Bluestone of £2.8 million are recognised in administrative expenses in the statement of profit and loss (2022: Bluestone acquisition related costs of £0.2 million).

Capital contribution from ultimate parent company

In conjunction with the Bluestone transaction, the ultimate parent company, Marlin Bidco Limited, made a capital contribution to the Company of £14.3 million in the year ended 31 December 2023. This is recognised in the capital contribution reserve in the statement of financial position.

5. Segmental Analysis

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.

On 30 September 2024, the Group completed the acquisition of JBR Auto Holdings Limited and its subsidiaries (see Note 4). JBR Auto Holdings Limited'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.

Reporting segment		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 small and medium-sized enterprises (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 presentation for reportable operating segments to reflect how results are provided to the chief operating decision maker.

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.

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.

	Commercial		Retail					
	Real Estate	SME	Consumer Finance	Retail Mortgage Brands	Other	Underlying total	Underlying adjustment	Statutory total
Year ended 31 December 2024	£m	£m	£m	£m	£m	£m	£m	£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/(losses) on derivative financial instruments and hedge accounting	–	–	–	–	1.9	1.9	–	1.9
Net other operating income.....	–	–	–	–	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

	Commercial		Retail					
Year ended 31 December 2023	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 / (losses) 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

Year ended 31 December 2022	Commercial		Retail		Other £m	Underlying total £m	Underlying adjustment £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m				
Interest and similar income.....	254.3	196.7	47.8	74.7	50.8	624.3	–	624.3
Interest expense and similar charges.....	(109.0)	(46.0)	(8.4)	(31.9)	30.7	(164.6)	–	(164.6)
Net interest income	145.3	150.7	39.4	42.8	81.5	459.7	–	459.7
Net operating lease income	–	1.7	–	–	–	1.7	–	1.7
Net fee and commission income/(expense).....	(2.9)	9.3	(1.9)	2.2	(1.2)	5.5	–	5.5
Net gains on derecognition of financial assets measured at amortised cost.....	7.7	–	–	–	–	7.7	–	7.7
Net gains / (losses) on derivative financial instruments and hedge accounting	(0.1)	–	–	–	(0.7)	(0.8)	–	(0.8)
Net other operating income.....	–	–	–	–	2.4	2.4	–	2.4
Net operating income	150.0	161.7	37.5	45.0	82.0	476.2	–	476.2
Administrative expenses.....	(25.0)	(29.1)	(13.3)	(23.6)	(98.7)	(189.7)	(5.0)	(194.7)
Impairment losses on financial assets.....	(6.4)	(15.3)	(20.3)	(5.7)	–	(47.7)	–	(47.7)
Provisions.....	–	–	(0.8)	–	–	(0.8)	–	(0.8)
Total operating expenses.....	(31.4)	(44.4)	(34.4)	(29.3)	(98.7)	(238.2)	(5.0)	(243.2)
Profit/(loss) before tax	118.6	117.3	3.1	15.7	(16.7)	238.0	(5.0)	233.0

The following tables present summarised information about the Group's assets and liabilities. 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'.

As at 31 December 2024	Commercial		Retail		Other £m	Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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

As at 31 December 2023	Commercial		Retail		Other £m	Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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

As at 31 December 2022	Commercial		Retail		Other £m	Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m		
Assets	4,986.2	2,591.4	499.6	2,418.0	3,443.5	13,938.7
Liabilities	—	—	—	—	(12,798.9)	(12,798.9)
Net assets/(liabilities)	4,986.2	2,591.4	499.6	2,418.0	(9,355.4)	1,139.8

6. Interest receivable and similar income

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
Interest income calculated using the effective interest rate method			
On cash and balances at central banks	135.0	103.0	31.0
On loans and advances to customers: loan receivables measured at amortised cost	805.9	707.4	522.6
On loans and advances to customers: loan receivables measured at FVOCI	193.1	97.9	23.0
On investment securities	65.3	37.7	11.5
Total interest income calculated using the effective interest rate method..	1,199.3	946.0	588.1
Other interest and similar income			
On loans and advances to customers: finance lease and instalment credit receivables	50.5	36.6	28.0
On derivative financial instruments	137.2	161.2	8.2
Total other interest and similar income	187.7	197.8	36.2
Total interest and similar income	1,387.0	1,143.8	624.3

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; 2022: £5.0 million of interest income).

7. Interest expense and similar charges

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
On amounts due to banks	65.4	58.5	18.3
On customer deposits	647.0	409.4	132.4
On derivative financial instruments	25.1	70.7	(0.9)
On debt securities in issue	39.3	17.8	6.5
On lease liabilities	0.3	0.1	0.2
On subordinated debt liability	19.0	10.8	8.1
Total interest expense and similar charges	796.1	567.3	164.6

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; 2022: £5.2 million of interest income).

8. Net fee and commission income

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
Fee income on loans and advances to customers	10.9	12.7	10.5
Credit facility related fees	5.3	4.2	3.6
Fee and commission income	16.2	16.9	14.1
Fee and commission expense	(16.1)	(12.6)	(8.6)
Net fee and commission income	0.1	4.3	5.5

9. Derecognition of financial assets measured at amortised cost

	As at and for the year ended 31 December		
	2024	2023	2022
	£m	£m	£m
Net gains on structured asset sales.....	14.1	-	-
Net gains on sale of customer loan portfolios	-	-	7.7
Net gains on derecognition of financial assets measured at amortised cost	14.1	-	7.7

In the year ended 31 December 2024, the net gain on structured asset sales was 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 15).

In the year ended 31 December 2022, the net gain was attributable to the sale of a portfolio of loans from Real Estate in January 2022. At the point of derecognition, the loan portfolio had a gross carrying amount (before loss allowance deducted) of £298.8 million and a carrying amount (after loss allowance deducted) of £298.3 million.

10. Administrative expenses

	As at and for the year ended 31 December		
	2024	2023	2022
	£m	£m	£m
Payroll Costs.....	150.3	131.8	107.5
Depreciation of property, plant and equipment	4.6	3.5	3.1
Amortisation of intangible assets	9.8	8.1	8.2
Other administrative expenses	88.1	83.2	75.9
Total administrative expenses	252.8	226.6	194.7

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 and are exclusive of VAT.

	As at and for the year ended 31 December		
	2024	2023	2022
	£000	£000	£000
Audit of the annual accounts	170.0	170.0	150.0
Audit of the annual accounts of subsidiary companies.....	3,832.2	3,774.9	2,915.0
Audit related assurance services.....	309.0	387.0	341.0
Other assurance services.....	50.0	50.0	50.0
Total auditor's remuneration	4,361.2	4,381.9	3,456.0

10.1 Employees

Aggregate payroll costs included in administrative expenses are as follows:

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
Wages and salaries	129.8	114.6	92.8
Social security costs	12.8	10.5	9.1
Pension costs	7.7	6.7	5.6
Payroll costs	150.3	131.8	107.5

Wages and salaries include share-based payment charges. Further details regarding share-based payment transactions are provided in Note 10.2.

Pension costs represent contributions to defined contribution pension schemes. The Group does not operate any defined benefit pension schemes.

Details of Directors' remuneration is provided in Note 10.3.

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.

	As at and for the year ended 31 December		
	2024	2023	2022
Real Estate	208	218	211
SME	299	265	241
Consumer Finance	95	82	79
Retail Mortgage Brands	323	276	189
Other	594	505	409
Average employees (on a full-time equivalent basis)	1,519	1,346	1,129

10.2 Employee share-based payment transactions

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 during the year ended 31 December 2024 is £0.8 million (2023: £0.8 million; 2022: £0.1 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; 2022: £0.1 million).

Movements in the number of share-based awards during the year are as follows:

	2024	2023	2022
As at start of period	9,400	9,400	8,750
Granted	—	—	1,350
Forfeited	(250)	—	(700)
As at end of period	9,150	9,400	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 or forfeited during the year ended 31 December 2023.

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.

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 in 2022, 2023, and 2024.

Movements in the number of awards during the year are as follows:

	2024	2023	2022
As at start of period.....	200	200	-
Granted	-	-	200
As at end of period	200	200	200

10.3 Directors' remuneration

	As at and for the year ended 31 December		
	2024 £000	2023 £000	2022 £000
Directors' emoluments.....	3,881	3,347	3,278
Total Director's remuneration.....	3,881	3,347	3,278

The above table includes both Executive and Non-Executive Directors.

11. Impairment losses on financial assets

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 all reported periods.

The following table analyses impairment losses on financial assets by financial asset category:

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
Impairment losses on loans and advances to customers at amortised cost			
Net ECL charge for the year.....	29.2	19.8	35.8
Loan balances written off in the year	47.2	38.5	14.4
Amounts recovered in the year in respect of loan balances previously written off	(12.3)	(5.8)	(4.7)
Total impairment losses on loans and advances to customers at amortised cost	64.1	52.5	45.5
Impairment losses on loans and advances to customers at FVOCI			
Net ECL charge for the year.....	6.3	4.3	2.4
Total impairment losses on loans and advances to customers at FVOCI.....	6.3	4.3	2.4
Impairment losses on loan commitments			
Net ECL charge/(credit) for the year.....	(3.2)	3.3	(0.2)
Total impairment losses on loan commitments.....	(3.2)	3.3	(0.2)
Total impairment losses on financial assets.....	67.2	60.1	47.7

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 Note 34.1.

12. Taxation

A summary of the tax charge recognised in the statement of profit and loss is as follows:

	As at and for the year ended 31 December		
	2024 £m	2023 £m	2022 £m
Current Tax			
Current year	74.6	87.7	71.1
Adjustment in respect of prior years.....	(3.9)	(1.3)	(1.8)
Total current tax	70.7	86.4	69.3
Deferred tax			
Origination and reversal of temporary differences.....	3.0	(13.4)	(11.9)
Adjustment in respect of prior years.....	1.5	1.7	0.9
Tax rate changes.....	–	(0.1)	–
Total deferred tax	4.5	(11.8)	(11.0)
Total tax charge.....	75.2	74.6	58.3

Additional information about the Group's deferred tax assets is provided in Note 20.

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%; 2022: 25.0%). 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.

Tax reconciliation

	2024 £m	2023 £m	2022 £m
Profit before tax.....	295.1	286.7	233.0
Implied tax charge thereon at 25% (2023: 23.5%; 2022: 19%)	73.8	67.4	44.3
Adjustments			
Banking surcharge	5.5	10.8	17.0
Tax relief on coupon paid on capital securities	(4.0)	(4.6)	(2.3)
Adjustment in respect of prior years	(2.4)	0.4	(0.9)
Disallowable expenses and other permanent differences	2.3	0.7	0.2
Tax rate changes	–	(0.1)	–
Total tax charge.....	75.2	74.6	58.3

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.

13. Cash and cash equivalents

	2024 £m	2023 £m	2022 £m
Cash and balances at central banks.....	2,244.7	2,188.1	2,037.1
Less: mandatory deposits with central banks	–	(39.9)	(29.6)
Loans and advances to banks.....	304.4	480.7	263.6
Total cash and cash equivalents.....	2,549.1	2,628.9	2,271.1

Mandatory deposits with central banks represent amounts held with the Bank of England in accordance with statutory requirements. As at 31 December 2022 and 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; 2022: £155.5 million) of cash collateral paid against derivative contracts.
- £49.2 million (2023: £139.3 million; 2022: £59.5 million) of securitisation cash, which represents the cash balances of consolidated structured entities.
- £nil million (2023: £16.8 million; 2022: £nil 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 all reported years, totalling less than £0.1 million.

14. Loans and advances to customers

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.

As at 31 December 2024	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI	Total
	Gross carrying amount £m	Loss allowance £m	Carrying amount £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
Loans and advances to customers	11,807.0	(159.4)	11,647.6	3,601.1	15,248.7
Fair value adjustments for hedged risk			(51.2)	(20.9)	(72.1)
Total loans and advances to customers			11,596.4	3,580.2	15,176.6

As at 31 December 2023	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI	Total
	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
Loans and advances to customers ...	10,630.6	(130.2)	10,500.4	2,812.0	13,312.4
Fair value adjustments for hedged risk .			(36.4)	3.3	(33.1)
Total loans and advances to customers			10,464.0	2,815.3	13,279.3

As at 31 December 2022	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI	Total
	Gross carrying amount £m	Loss allowance £m	Carrying amount £m		
Loan receivables	9,043.7	(99.6)	8,944.1	1,316.4	10,260.5
Finance lease receivables	39.7	(2.0)	37.7	–	37.7
Instalment credit receivables	381.3	(10.2)	371.1	–	371.1
Loans and advances to customers ...	9,464.7	(111.8)	9,352.9	1,316.4	10,669.3
Fair value adjustments for hedged risk .			(164.6)	(47.6)	(212.2)
Total loans and advances to customers			9,188.3	1,268.8	10,457.1

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 Note 34.

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; 2022: £1,602.3 million) positioned with the Bank of England for use as collateral against amounts drawn under the TFSME.
- £2,255.4 million (2023: £2,235.4 million; 2022: £1,362.3 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; 2022: £31.6 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	2022
Number of claims made during the year	–	8	5
Amount pending receipt as at 1 January (£m)	0.2	3.4	–
Amount claimed during the year (£m)	–	3.4	3.8
Amount received on claims during the year (£m)	(0.2)	6.6	0.4
Amount pending receipt as at 31 December (£m)	–	0.2	3.4

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		2022	
	Finance lease receivables £m	Instalment credit receivables £m	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	19.4	231.5
Between one and two years	7.0	203.3	7.6	61.8	10.5	65.3
Between two and three years	5.4	122.6	5.4	74.8	6.3	33.7
Between three and four years	2.3	33.2	5.5	19.6	4.1	58.8
Between four and five years	0.8	11.2	1.1	7.7	2.8	8.4
After five years	0.6	2.6	0.0	1.1	0.7	2.1
Total undiscounted payments receivable	25.6	821.4	31.6	448.9	43.8	399.8
Unearned finance income	(3.0)	(68.9)	(4.6)	(18.6)	(4.1)	(18.5)
Gross carrying amount	22.6	752.5	27.0	430.3	39.7	381.3

Instalment credit receivables include block discounting facilities of £311.4 million (2023: £295.4 million; 2022: £239.7 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	2022 £m
Finance lease agreements	6.6	5.7	11.8
Instalment credit agreements	133.7	71.0	37.8
Total cost of assets acquired during the year.....	140.3	76.7	49.6

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; 2022: £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 forbore loans are provided in Note 34.

No modification gains or losses were recognised in the statement of profit and loss in the reported years.

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; 2022: £38.6 million).

15. Securitisations and structured entities

15.1 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. 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 25), 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 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 25), with the remainder retained by the Group and eliminated on consolidation.

In the year ended 31 December 2022, the following transaction with consolidated structured entities took place:

- In June 2022, loans with a gross carrying amount (before loss allowance deducted) of £351.9 million and a carrying amount (after loss allowance deducted) of £351.3 million were transferred to Ealbrook Mortgage Funding 2022-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £351.9 million and £12.3 million of uncollateralised 'X' notes, all of which were retained by the Group and are eliminated on consolidation.
- In September 2022, the loan portfolio transferred to Shawbrook Mortgage Funding 2019-1 plc in June 2019 was repurchased and the outstanding debt securities were redeemed. A liquidator was appointed to liquidate Shawbrook Mortgage Funding 2019-1 plc. The company was dissolved in February 2024.
- In October 2022, loans with a gross carrying amount (before loss allowance deducted) of £342.8 million and a carrying amount (after loss allowance deducted) of £342.2 million were transferred to Lanebrook Mortgage Transaction 2022-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £342.8 million and £3.4 million of uncollateralised 'X' notes, all of which were retained by the Group and are eliminated on consolidation.
- In December 2022, loans with a gross carrying amount (before loss allowance deducted) of £574.0 million and a carrying amount (after loss allowance deducted) of £573.2 million were transferred to Shawbrook Mortgage Funding 2022-1 plc. The structured entity simultaneously issued mortgage-backed debt securities of £574.0 million and £0.2 million of uncollateralised 'X' notes, all of which were retained by the Group and are 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		2022	
	Loans and advances securitised £m	Debt securities in issue £m	Loans and advances securitised £m	Debt securities in issue £m	Loans and advances securitised £m	Debt securities in issue £m
Wandle Mortgage Funding Limited	–	–	97.8	103.1	133.0	142.2
Ealbrook Mortgage Funding 2022-1 plc	146.0	161.4	206.7	253.3	321.8	354.6
Lanebrook Mortgage Transaction 2022-1 plc	292.1	299.3	318.7	335.7	340.2	349.6
Shawbrook Mortgage Funding 2022-1 plc	426.6	431.4	475.4	483.2	570.6	575.6
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	1,365.6	1,422.0
Less: loss allowance on securitised loans	(7.1)	–	(5.1)	–	(3.3)	–
Less: held by the Group (and eliminated on consolidation)	–	(1,802.1)	–	(1,909.5)	–	(1,305.6)
Total recognised in statement of financial position	2,255.4	549.2	2,235.4	462.8	1,362.3	116.4

15.2 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 9). 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 years ended 31 December 2023 and 31 December 2022, 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; 2022: £126.4 million) (see Note 16). 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 value 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; 2022: £672.0 million).

The Group does not provide any ongoing financial support to any of the unconsolidated structured entities that it has a direct interest in.

16. Investment securities

	2024			2023			2022		
	Covered bonds £m	Debt securities £m	Total £m	Covered bonds £m	Debt securities £m	Total £m	Covered bonds £m	Debt securities £m	Total £m
As at start of period.....	517.0	305.1	822.1	499.7	191.3	691.0	392.5	129.5	522.0
Additions.....	366.9	531.9	898.8	211.6	153.8	365.4	139.5	65.3	204.8
Maturities.....	(104.7)	(79.3)	(184.0)	(194.8)	(16.8)	(211.6)	(33.5)	–	(33.5)
Other movements...	1.1	(24.4)	(23.3)	0.5	(23.2)	(22.7)	1.2	(3.5)	(2.3)
As at end of period	780.3	733.3	1,513.6	517.0	305.1	822.1	499.7	191.3	691.0

Debt securities represent mortgage-backed debt securities, of which £392.2 million (2023: £117.6 million; 2022: £126.4 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 as at 31 December 2024:

- £nil million (2023: £79.3 million; 2022: 79.3 million) of debt securities positioned with the Bank of England for use as collateral against amounts drawn under the TFSME.
- £64.3 million (2023: £25.0 million; 2022: £nil 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 all reported periods.

17. Derivative Financial Instruments and hedge accounting

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	
	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
As at 31 December 2024				
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	
	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
As at 31 December 2023				
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

	Assets		Liabilities	
	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
As at 31 December 2022				
Instruments not in hedging relationships				
Interest rate swaps.....	1,327.5	63.1	9,081.8	60.9
Spot and forward foreign exchange swaps	–	-	18.6	0.1
Total instruments not in hedging relationships	1,327.5	63.1	9,100.4	61.0
Instruments in fair value hedging relationships.....				
Interest rate swaps	5,664.0	264.0	1,825.0	26.0
Balance guaranteed swaps	-	-	-	-
Total instruments in fair value hedging relationships	5,664.0	264.0	1,825.0	26.0
Instruments in cash flow hedging relationships.....				
Interest rate swaps	295.0	3.6	162.0	3.5
Total instruments in cash flow hedging relationships.....	295.0	3.6	162.0	3.5
Total derivative financial instruments	7,286.5	330.7	11,087.4	90.5

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 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; 2022: £155.5 million) and £157.9 million has been received (2023: £189.0 million; 2022: £290.0 million) (see Note 13 and Note 22, respectively). There was also securitisation collateral received in the form of Gilts with a nominal value of £75.9 million (2023: £52.6 million; 2022: £nil million) and a market value of £79.8 million (2023: £68.0 million; 2022: £nil million).

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. The following tables split out the total nominal amount of derivative financial instruments into cleared and OTC.

	Assets			Liabilities		
	Cleared £m	OTC £m	Total £m	Cleared £m	OTC £m	Total £m
As at 31 December 2024						
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		
	Cleared £m	OTC £m	Total £m	Cleared £m	OTC £m	Total £m
As at 31 December 2023						
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

	Assets			Liabilities		
	Cleared £m	OTC £m	Total £m	Cleared £m	OTC £m	Total £m
As at 31 December 2022						
Instruments not in hedging relationships						
Interest rate swaps.....	152.7	1,174.8	1,327.5	9,081.8	–	9,081.8
Spot and forward foreign exchange swaps.....	–	–	–	–	18.6	18.6
Total instruments not in hedging relationships	152.7	1,174.8	1,327.5	9,081.8	18.6	9,100.4
Instruments in fair value hedging relationships						
Interest rate swaps	5,497.6	166.4	5,664.0	1,825.0	–	1,825.0
Balance guaranteed swaps.....						
Total instruments in fair value hedging relationships.....	5,497.6	166.4	5,664.0	1,825.0	–	1,825.0
Instruments in cash flow hedging relationships						
Interest rate swaps	295.0	–	295.0	162.0	–	162.0
Total instruments in cash flow hedging relationships.....	295.0	–	295.0	162.0	–	162.0
Total derivative financial instruments.....	5,945.3	1,341.2	7,286.5	11,068.8	18.6	11,087.4

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.

During the year ended 31 December 2022, one fair value hedge failed the effectiveness testing criteria and was de-designated. All other hedge accounting relationships have remained highly effective throughout all reported years.

Fair value hedges

Details of the Group's fair value hedges are presented in the following tables.

As at 31 December 2024	Maturity					Total
	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	
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 guarantee swaps.....						
Nominal amount (£m).....	–	–	–	69.9	–	69.9
Average fixed interest rate (%)	–	–	–	1.07	–	1.07

As at 31 December 2023	Maturity					Total
	Less than 1 month	11 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	
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 guarantee swaps.....						
Nominal amount (£m).....	–	–	–	124.3	–	124.3
Average fixed interest rate (%)	–	–	–	1.07	–	1.07

As at 31 December 2022	Maturity					Total
	Less than 1 month	11 - 3 months	3 months - 1 year	1 - 5 years	More than 5 years	
Interest rate swaps						
Nominal amount (£m)	237.0	168.2	3,324.8	3,669.3	89.7	7,489.0
Average fixed interest rate (%)..	1.29	0.63	3.10	1.84	0.61	2.34

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.

As at 31 December 2024	Carrying amount			Change in fair value of hedging instrument used for calculating ineffectiveness £m	Ineffectiveness recognised in statement of profit and loss £m
	Nominal amount £m	Assets £m	Liabilities £m		
Interest rate swaps	13,344.5	144.7	43.4	37.3	(0.4)
Balance guaranteed swaps	69.9	3.3	–	(2.4)	–

As at 31 December 2023	Carrying amount			Change in fair value of hedging instrument used for calculating ineffectiveness £m	Ineffectiveness recognised in statement of profit and loss £m
	Nominal amount £m	Assets £m	Liabilities £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)

As at 31 December 2022	Carrying amount			Change in fair value of hedging instrument used for calculating ineffectiveness £m	Ineffectiveness recognised in statement of profit and loss £m
	Nominal amount £m	Assets £m	Liabilities £m		
Interest rate swaps	7,489.0	264.0	26.0	174.6	(1.5)
Balance guaranteed swaps	-	-	-	-	-

Amounts relating to items designated as hedged items are as follows:

	Carrying amount £m	Accumulated fair value hedge adjustments included in the carrying amount of the hedged item £m	Change in fair value used for calculating ineffectiveness £m
As at 31 December 2024			
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)

	Carrying amount £m	Accumulated fair value hedge adjustments included in the carrying amount of the hedged item £m	Change in fair value used for calculating ineffectiveness £m
As at 31 December 2023			
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)

	Carrying amount £m	Accumulated fair value hedge adjustments included in the carrying amount of the hedged item £m	Change in fair value used for calculating ineffectiveness £m
As at 31 December 2022			
Assets			
Fixed rate mortgage loans included in loans and advances to customers hedged by interest rate swaps.....	3,971.7	(212.2)	(191.7)
Fixed rate mortgage loans included in loans and advances to customers hedged by balance guaranteed swaps.....	-	-	-
Liabilities			
Fixed rate customer deposits included in customer deposits.....	2,763.1	19.4	15.6

17.1.1 Cash flow hedges

Details of the Group's cash flow hedges are presented in the following tables.

As at 31 December 2024	Maturity					Total
	Less than 1 month	1 - 3 months	3 months – 1 year	1 - 5 years	More than 5 years	
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

	Maturity					
As at 31 December 2022	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)	–	–	–	165.0	292.0	457.0
Average fixed interest rate, %	–	–	–	4.04	4.10	4.08

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. 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		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
		Assets £m	Liabilities £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		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
		Assets £m	Liabilities £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)

As at 31 December 2022	Nominal amount £m	Carrying amount		Change in fair value used for calculating ineffectiveness £m	Change in value of hedging instrument recognised in other comprehensive income £m	Ineffectiveness recognised in statement of profit and loss £m	Amount reclassified from cash flow hedging reserve to statement of profit and loss £m
		Assets £m	Liabilities £m				
Interest rate swaps (pay fixed)	457.0	3.6	3.5	38.4	38.4	-	2.2

Amounts relating to items designated as hedged items are as follows:

	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedging reserve	
		Continuing hedges £m	Discontinued hedges £m
As at 31 December 2024			
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

	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedging reserve	
		Continuing hedges £m	Discontinued hedges £m
As at 31 December 2023			
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)

	Change in value used for calculating hedge ineffectiveness £m	Cash flow hedging reserve	
		Continuing hedges £m	Discontinued hedges £m
As at 31 December 2022			
Liabilities			
Floating rate debt securities included in debt securities in issue and floating rate borrowings included in amounts due to banks	38.4	0.1	38.3

17.1.2 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:

For the year ended 31 December	2024 £m	2023 £m	2022 £m
Net fair value gains/(losses) on derivative financial instruments.....	48.4	(183.2)	211.5
Net fair value gains/(losses) on hedged risk...	(46.5)	188.3	(212.3)
Net gains/(losses) on derivative financial instruments and hedge accounting.....	1.9	5.1	(0.8)

Net fair value gains/(losses) on derivative financial instruments includes foreign exchange gains and losses.

18. 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)
Other movements...	–	–	–	–	–
Transfer to finance lease.....	–	–	–	(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)
Other movements....	–	–	–	–	–
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 26). 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...	–	–	–	7.6	7.6
Transfer to finance lease.....	–	–	–	(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...	–	–	–	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

Year ended 31 December 2022	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 2022	12.3	1.7	15.1	56.9	86.0
Additions.....	–	0.8	0.5	11.9	13.2
Disposals.....	(0.4)	(0.2)	(0.1)	(6.0)	(6.7)
Transfer to finance lease.....	–	–	–	(2.2)	(2.2)
As at 31 December 2022	11.9	2.3	15.5	60.6	90.3
Accumulated depreciation					
As at 1 January 2022	4.1	1.0	11.8	20.8	37.7
Charge for the year...	1.8	0.3	1.0	8.7	11.8
Disposals.....	(0.2)	(0.2)	(0.1)	(5.2)	(5.7)
Transfer to finance leases.....	–	–	–	(1.8)	(1.8)
As at 31 December 2022	5.7	1.1	12.7	22.5	42.0
Carrying amount					
As at 1 January 2022	8.2	0.7	3.3	36.1	48.3
As at 31 December 2022	6.2	1.2	2.8	38.1	48.3

19. Intangible assets

	2024			2023			2022		
	Goodwill £m	Other intangibles £m	Total £m	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	54.8	58.1	112.9
Additions.....	–	15.1	15.1	–	14.5	14.5	–	9.4	9.4
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	54.8	67.5	122.3
Accumulated amortisation and impairment									
As at 1 January.....	1.1	52.8	53.9	1.1	44.8	45.9	1.1	36.6	37.7
Amortisation charge for the year.....	–	9.8	9.8	–	8.1	8.1	–	8.2	8.2
Disposals.....	–	–	–	–	(0.1)	(0.1)			
As at 31 December	1.1	62.6	63.7	1.1	52.8	53.9	1.1	44.8	45.9
Carrying amount									
As at 1 January.....	77.1	30.1	107.2	53.7	22.7	76.4	53.7	21.5	75.2
As at 31 December	84.9	39.1	124.0	77.1	30.1	107.2	53.7	22.7	76.4

Other intangibles predominantly comprise 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 in 2024 of internally generated assets (2023: £14.2 million; 2022: £9.3 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 CGUs. As at 31 December 2024, the identified CGUs include Real Estate, SME, TML, BML and JBR. JBR has been identified as a new CGU within the Group following the acquisition of JBR Auto Holdings Limited in 2024.

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; 2022: 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%; 2022: 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.

	2024		2023		2022	
	Post-tax	Pre-tax	Post-tax	Pre-tax	Post-tax	Pre-tax
Real Estate.....	12.6%	16.9%	12.8%	17.1%	13.5%	17.7%
SME	14.1%	18.8%	14.3%	19.0%	14.5%	18.8%
TML.....	14.1%	18.9%	15.3%	20.5%	16.0%	21.1%
BML	15.6%	21.3%	15.8%	21.5%	–	–
JBR	16.1%	21.1%	–	–	–	–

In all 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					2022			
	Real Estate £m	SME £m	TML £m	BML £m	JBR £m	Total £m	Real Estate £m	SME £m	TML £m	BML £m	Total £m	Real Estate £m	SME £m	TML £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	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	9.0	34.7	10.0	53.7

20. Deferred tax assets

20.1 Deferred tax assets are attributable to the following items:

	2024 £m	2023 £m	2022 £m
Decelerated tax depreciation.....	4.1	5.1	6.1
IFRS 9 adjustment	1.1	1.5	1.9
Tax losses in subsidiary companies.....	14.5	1.9	3.3
Tax on gains within SPVs	8.5	17.9	–
Fair value through other comprehensive income reserve	(10.8)	0.2	4.0
Other.....	(1.4)	9.1	4.1
Total deferred tax assets	16.0	35.7	19.4

20.2 Movements in deferred tax assets are as follows:

	2024 £m	2023 £m	2022 £m
As at start of period	35.7	19.4	14.2
Amounts recognised in statement of profit and loss (see Note 12):			
Current year movement.....	(3.0)	13.4	11.9
Adjustment in respect of prior years	(1.5)	(1.7)	(0.9)
Tax rate changes	–	0.1	–
Amounts recognised in other comprehensive income:			
Current year movement in cash flow hedging reserve	(3.2)	8.0	(9.8)
Current year movement in fair value through other comprehensive income reserve.....	(11.0)	(3.8)	4.0
Other:			
Acquisitions through business combinations	(1.0)	0.3	–
As at end of period	16.0	35.7	19.4

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%; 2022: 26.6%), 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 12.

21. Other assets

	2024 £m	2023 £m	2022 £m
Other debtors	18.0	13.4	3.5
Prepayments	17.4	15.1	10.3
Accrued income	0.9	1.4	1.3
Total other assets	36.3	29.9	15.1

22. Amounts due to banks

	2024 £m	2023 £m	2022 £m
Cash at Bank of England	1,216.2	1,215.8	1,208.5
Derivative collateral received	157.9	189.0	290.0
Other	2.0	0.2	0.2
Total amounts due to banks	1,376.1	1,405.0	1,498.7

Amounts due to banks as at 31 December 2024 include:

- £800.0 million; (2023: £1,200 million; 2022: £1,200 million) drawn under the TFSME, 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; 2022: 290.0 million) of cash collateral received against derivative contracts.

23. Customer deposits

	2024 £m	2023 £m	2022 £m
Retail customers:			
Instant access	6,007.9	5,586.5	3,334.0
Term deposits and notice accounts	9,764.1	7,947.7	7,599.9
Corporate customers:			
Term deposits	27.0	25.7	–
Fair value adjustments for hedged risk	5.0	2.8	(19.4)
Total customer deposits	15,804.0	13,562.7	10,914.5

24. Provisions

	2024			2023			2022		
	Loss provision £m	Other provisions £m	Total £m	Loss provision £m	Other provisions £m	Total £m	Loss provision £m	Other provisions £m	Total £m
As at start of period.....	3.8	12.1	15.9	0.5	5.5	6.0	0.7	13.5	14.2
Provisions utilised	–	(1.5)	(1.5)	–	(6.5)	(6.5)	–	(8.8)	(8.8)
Provisions made/ (released).....	(3.2)	0.3	(2.9)	3.3	13.1	16.4	(0.2)	0.8	0.6
As at end of period.....	0.6	10.9	11.5	3.8	12.1	15.9	0.5	5.5	6.0

24.1.1 Loss provision

The loss provision represents the loss allowance on loan commitments (see Note 38). 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 11).

24.1.2 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	2022 £m
Other provisions made	0.3	13.1	0.8
Other provisions utilised	(5.6)	-	(8.8)
Net charge/(credit) for provisions	(5.3)	13.1	(8.0)

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 dates, the Group has recognised a provision of £9.2 million at 31 December 2024 (2023: £10.1 million; 2022: £nil), 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 39.

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; 2022: £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 39). In accordance with IAS 37, any recoveries from suppliers or insurers will be recognised in the statement of profit and loss within provisions.

25. Debt securities in issue

Debt securities in issue comprise asset-backed notes issued to external investors by consolidated structured entities as part of securitisation transactions (see Note 15). 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	2022 £m
Senior notes	Aug 2021	Wandle Mortgage Funding Limited	Unlisted	Aug 2024	Oct 2038	–	84.5	116.4
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	116.4

Movements in the year are summarised in the following table:

	2024 £m	2023 £m	2022 £m
As at start of period	462.8	116.4	319.2
Issuances	250.0	200.0	–
Acquisitions through business combinations	289.1	316.9	–
Repurchases and redemptions	(453.7)	(170.3)	(203.4)
Costs capitalised	(1.0)	(0.2)	(0.3)
Other movements	2.0	–	0.9
As at end of period	549.2	462.8	116.4

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.

26. Leases

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 14. 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 6).

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 18.

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 the end of each period are as follows:

	2024 £m	2023 £m	2022 £m
Within one year	6.1	6.7	8.7
Between one and two years	4.8	4.8	6.1
Between two and three years	3.6	3.7	4.3
Between three and four years	2.8	2.5	3.3
Between four and five years	1.2	1.7	2.0
After five years	0.9	0.5	1.9
Total future minimum rentals receivable	19.4	19.9	26.3

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 18.

The carrying amount of associated lease liabilities and movements during the period are as follows:

	2024 £m	2023 £m	2022 £m
As at start of period	6.1	7.4	9.8
Additions	21.3	–	–
Acquisitions through business combinations	0.4	1.0	–
Disposals	–	–	(0.2)
Interest expense	0.3	0.1	0.2
Payments	(2.5)	(2.4)	(2.4)
As at end of period	25.6	6.1	7.4

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 18). The lease agreement includes rent-free periods and options for renewal and termination, which have been considered to determine the lease term.

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			2022		
	Administrative expenses £m	Interest expense £m	Total £m	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	1.8	–	1.8
Interest expense on lease liabilities.....	–	0.3	0.3	–	0.1	0.1	–	0.2	0.2
Rental expense on low value assets...	0.5	–	0.5	0.8	–	0.8	0.3	–	0.3
Total	3.1	0.3	3.4	2.8	0.1	2.9	2.1	0.2	2.3

Cash outflows from leases in the statement of cash flows are as follows:

	2024 £m	2023 £m	2022 £m
Payment of the interest portion of the lease liability (cash flows from operating activities).....	0.3	0.1	0.2
Payment of the principal portion of the lease liability (cash flows from financing activities).....	2.2	2.3	2.2
Total cash outflows from leases	2.5	2.4	2.4

27. Other liabilities

	2024 £m	2023 £m	2022 £m
Other creditors (including sundry creditors and other taxes).....	22.1	18.0	17.6
Accruals.....	63.7	52.6	47.8
Amounts owed to Group companies.....	—	—	—
Total other liabilities	85.8	70.6	65.4

28. Subordinated debt

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	Maturity date	2024 £m	2023 £m	2022 £m
6.5% fixed rate reset callable subordinated notes	Sep 2019	Open Market of Frankfurt Stock Exchange Global Exchange	Sep 2024	Sep 2029	—	20.3	20.3
9.0% fixed rate reset callable subordinated notes	Jul 2020	Market of Euronext Dublin International Securities Market	Jul 2025	Oct 2030	76.5	76.5	76.5
12.25% fixed rate reset callable subordinated notes	Oct 2023	of London Stock Exchange	Oct 2028	Jan 2034	94.6	91.7	—
Total subordinated liabilities					171.1	188.5	96.8

Movements in the year are summarised in the following table:

	2024 £m	2023 £m	2022 £m
As at 1 January	188.5	96.8	96.8
Issuances.....	—	90.0	—
Redemptions.....	(20.0)	—	—
Costs capitalised.....	—	(1.0)	—
Other movements.....	2.6	2.7	96.8
As at 31 December	171.1	188.5	96.8

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.

29. Financial assets and liabilities

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				2022			
	Amortised cost £m	FVOCI £m	Mandatorily at FVTPL £m	Carrying amount £m	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	2,037.1	–	–	2,037.1
Loans and advances to banks.....	304.4	–	–	304.4	480.7	–	–	480.7	263.6	–	–	263.6
Loans and advances to customers.....	11,596.4	3,580.2	–	15,176.6	10,464.0	2,815.3	–	13,279.3	9,188.3	1,268.8	–	10,457.1
Investment securities.....	1,513.6	–	–	1,513.6	822.1	–	–	822.1	691.0	–	–	691.0
Derivative financial assets...	–	–	227.1	227.1	–	–	252.7	252.7	–	–	330.7	330.7
		3,580.2										
Total financial assets	15,659.1	2	227.1	19,466.4	13,954.9	2,815.3	252.7	17,022.9	12,180.0	1,268.8	330.7	13,779.5
Financial liabilities												
Amounts due to banks.....	1,376.1	–	–	1,376.1	1,405.0	–	–	1,405.0	1,498.7	–	–	1,498.7
Customer deposits.....	15,804.0	–	–	15,804.0	13,562.7	–	–	13,562.7	10,914.5	–	–	10,914.5
Derivative financial liabilities.....	–	–	117.1	117.1	–	–	184.5	184.5	–	–	90.5	90.5
Debt securities in issue.....	549.2	–	–	549.2	462.8	–	–	462.8	116.4	–	–	116.4
Lease liabilities...	25.6	–	–	25.6	6.1	–	–	6.1	7.4	–	–	7.4
Subordinated debt liability.....	171.1	–	–	171.1	188.5	–	–	188.5	96.8	–	–	96.8
Total financial liabilities.....	17,926.0	–	117.1	18,043.1	15,625.1	–	184.5	15,809.6	12,633.8	–	90.5	12,724.3

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).

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			2022		
	Level 3 £m	Level 2 £m	Level 1 £m	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	–	–	2,037.1
Loans and advances to banks.....	–	304.4	–	–	480.7	–	–	263.6	–
Loans and advances to customers	11,596.4	–	–	10,464.0	–	–	9,188.3	–	–
Investment securities.....	–	392.2	1,121.4	–	117.6	704.5	–	126.4	564.6
Financial liabilities at amortised cost									
Amounts due to banks.....	–	1,376.1	–	–	1,405.0	–	–	1,498.7	–
Customer deposits	–	15,804.0	–	–	13,562.7	–	–	10,914.5	–
Debt securities in issue	–	549.2	–	–	462.8	–	–	116.4	–
Subordinated debt liability	–	171.1	–	–	188.5	–	–	96.8	–

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 and assets held for sale, 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		2022	
	Carrying amount £m	Fair value £m	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	9,188.3	9,336.0
Investment securities.....	1,513.6	1,515.5	822.1	822.8	691.0	687.7
Financial liabilities at amortised cost						
Amounts due to banks.....	1,376.1	1,376.1	1,405.0	1,407.2	1,498.7	1,500.2
Customer deposits	15,804.0	15,815.0	13,562.7	13,484.3	10,914.5	10,871.8
Debt securities in issue	549.2	552.5	462.8	465.1	116.4	117.1
Subordinated debt liability	171.1	179.8	188.5	187.2	96.8	94.8

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			2022		
	Level 3 £m	Level 2 £m	Level 1 £m	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	–	–	1,268.8	–	–
Derivative financial assets	–	227.1	–	–	252.7	–	–	330.7	–
Financial liabilities at fair value									
Derivative financial liabilities	–	117.1	–	–	184.5	–	–	90.5	–

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	2022		
	Loans and advances to customers at FVOCI £m	Loans and advances to customers at FVOCI £m	Loans and advances to customers at FVOCI £m	Derivative financial assets £m	Derivative financial liabilities £m
As at 1 January	2,815.3	1,268.8	–	0.2	(0.2)
Additions ⁹⁴	1,376.1	1,514.2	1,352.7	–	–
Net fair value gains/(losses) recognised in the statement of profit and loss	(24.2)	54.7	(47.6)	(0.2)	0.2
Net fair value gains/(losses) recognised in other comprehensive income	35.6	9.9	(17.1)	–	–
Settlements/repayments.....	(622.6)	(32.3)	(19.2)	–	–
As at 30 June/ December	3,580.2	2,815.3	1,268.8	–	–

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%).

⁹⁴ Additions include new financial assets originated or purchased, additional drawdowns and accrued interest.

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	2022
	Increase/(decrease) to asset value and FVOCI reserve £m	Increase/(decrease) to asset value and FVOCI reserve £m	Increase/(decrease) to asset value and FVOCI reserve £m
Change in significant unobservable input			
Decrease in discount rate by 50 bps.....	49.5	42.8	18.4
Increase in discount rate by 50 bps	(48.3)	(41.7)	(17.9)
Decrease in prepayment curve by 10%	21.8	20.2	n/a
Increase in prepayment curve by 10%.....	(13.7)	(12.4)	n/a

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; 2022: the Group did not hold any collateral in the form of securities).

	Gross amount £m	Amount offset £m	Net amount presented on statement of financial position £m	Related amounts not offset		
				Subject to master netting arrangements £m	Financial collateral received/ pledged £m	Net amount £m
As at 31 December 2024						
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)	–

	Gross amount £m	Amount offset £m	Net amount presented on statement of financial position £m	Related amounts not offset		Net amount £m
				Subject to master netting arrangements £m	Financial collateral received/ pledged £m	
As at 31 December 2023						
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)	–

	Gross amount £m	Amount offset £m	Net amount presented on statement of financial position £m	Related amounts not offset		Net amount £m
				Subject to master netting arrangements £m	Financial collateral received/ pledged £m	
As at 31 December 2022						
Financial assets						
Derivative financial assets.....	330.7	–	330.7	–	(271.5)	59.2
Total financial assets.....	330.7	–	330.7	–	(271.5)	59.2
Financial liabilities						
Derivative financial liabilities.....	90.5	–	90.5	–	(90.4)	0.1
Total financial liabilities.....	90.5	–	90.5	–	(90.4)	0.1

30. Share Capital

Share capital comprises 253,086,879 issued and fully paid ordinary shares of £0.01 each, with an aggregate nominal value 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 any of the reported years.

31. Capital Securities

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; 2022: £2.1 million).

	Issued	Listing	Next call date	2024 £m	2023 £m	2022 £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	121.9
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	1.0
Total capital securities				123.1	123.1	122.9

Movements in the year are summarised in the following table:

	2024 £m	2023 £m	2022 £m
As at 1 January	123.1	122.9	124.0
Issuances	–	–	124.0
Issuance costs capitalised	–	–	(2.1)
Settlements (via exchange)	–	–	(124.0)
Amortisation of capitalised costs	–	0.2	–
Capitalised costs on settled instruments written off	–	–	1.0
As at 31 December	123.1	123.1	122.9

In all the reported periods, 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; 2022: £8.8 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.

32. Equity

The Cash Flow Hedge reserve represents the cumulative gains and losses on effective cash flow hedging instruments, which will be recycled to the income statement (see Note 17).

The Fair Value through Other Comprehensive Income reserve reflects the cumulative gains and losses recognised in relation to financial instruments carried at fair value through other comprehensive income (see Note 29).

33. Notes to cash flow statement

33.1 Adjustments for non-cash items and other adjustments included in the statement of profit and loss

	2024 £m	2023 £m	2022 £m
ECL charge on loans and advances to customers at amortised cost.....	29.2	19.8	35.8
ECL charge on loans and advances to customers at FVOCI.....	6.3	4.3	2.4
ECL charge/(credit) on loan commitments	(3.2)	3.3	(0.2)
Other movements on investment securities.....	23.3	22.7	2.3
Depreciation of property, plant and equipment.....	12.0	11.7	11.8
Amortisation of intangible assets	9.8	8.1	8.2
Other movements on subordinated debt receivable	-	-	-
Other movements on subordinated debt payable.....	2.6	2.7	-
Other movements on debt securities in issue.....	2.0	-	0.9
Other movements on capital securities	-	0.2	-
Equity-settled share-based payments	0.7	0.7	0.1
Total non-cash items and other adjustments	82.7	73.5	61.3

33.2 Net change in operating assets

	2024 £m	2023 £m	2022 £m
Decrease/(increase) in mandatory deposits with central banks.....	39.9	(10.3)	(8.5)
Increase in loans and advances to customers	(1,609.4)	(2,536.0)	(2,237.9)
Decrease/(increase) in derivative financial assets	37.0	63.2	(273.0)
Increase in operating lease assets	(5.7)	(1.6)	(10.7)
(Increase)/decrease in other assets.....	(5.8)	(9.8)	(3.5)
Decrease in assets held for sale.....	-	-	299.7
(Increase)/decrease in operating assets	(1,544.0)	(2,494.5)	(2,233.9)

33.3 Net change in operating liabilities

	2024 £m	2023 £m	2022 £m
Increase in customer deposits	2,241.3	2,648.2	2,555.9
(Decrease)/increase in other provisions.....	(1.2)	6.6	(8.0)
(Decrease)/increase in derivative financial liabilities	(67.4)	94.0	82.4
Increase/(decrease) in other liabilities	9.6	(10.5)	2.7
Increase in operating liabilities	2,182.3	2,738.3	2,633.0

34. Risk management

The Group has exposure to the following risks as a result of financial instruments:

- Credit
- Liquidity
- Market
- Capital risk

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

34.1 Credit Risk

Managing credit risk: 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 also completed the acquisition of JBR Auto Holdings Ltd 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.

During 2024, the Group appointed a new Retail Risk Director (who sits in the first line risk function) and a new Group Chief Credit Officer (who sits 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 collections strategies and potential problem loan management teams to ensure that the Group is well positioned for a more challenging environment.

Impairment of financial assets

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 historical financial information. In accordance with the Group's accounting policy (Note 2.20), 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 £0.1 million for lending attached to its lending pipeline where there is a probability of completion.

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.

34.2 Measurement of ECLs

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 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.

Calculation of ECLs

ECLs are the discounted product of the PD, 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.

34.3 Default

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. 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 capital. 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.

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 homogenous portfolios based on the Group's lending segments as detailed on the following page. 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.

34.4 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 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 exposures 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 Impairment Committee and Audit Committee.

34.5 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

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 drives 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 Note 3).

During all 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 the relevant reported periods.

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.

	Real Estate	SME	Consumer Finance	Retail Mortgage Brands	Total
	£m	£m	£m	£m	£m
As at 31 December 2024					
Cost of living PMA	0.2	-	-	0.9	1.1
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

In the year ended 31 December 2024, the cost of living PMA has been 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 been 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, the cost of living PMA has been applied to Stage 1 and Stage 2 loans and loan commitments.

During 2024 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.

	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
As at 31 December 2023					
Cost of living PMA	0.7	1.6	-	0.5	2.8
Total judgemental adjustments to modelled ECLs	0.7	1.6	-	0.5	2.8

In the year ended 31 December 2023, 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 2024 and who are at higher refinance risk, demonstrated by lower credit grades and segments with lower debt service cover ratios. As at 31 December 2023, loans with a gross carrying amount of £222 million met these criteria and a PMA of £0.7 million was applied based on a Stage 2 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 been trained on. The Group has developed a proprietary credit risk profiling tool to assess customers at risk and concluded that, as at 31 December 2023, loans with a gross carrying amount of £28 million were at risk. A PMA of £1.6 million was applied to reflect this.

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 2024 and who are at higher refinance risk, demonstrated by lower credit grades and segments with lower debt service cover ratios. As at 31 December 2023, loans with a gross carrying amount of £185 million met these criteria and a PMA of £0.5 million was applied based on a Stage 2 ECL.

For 2023, the cost of living PMA has been applied to Stage 1 and Stage 2 loans and loan commitments.

As at 31 December 2022	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Total £m
Cost of living PMA	1.1	3.2	1.1	1.4	6.8
Total judgemental adjustments to modelled ECLs	1.1	3.2	1.1	1.4	6.8

In the year ended 31 December 2022, the cost of living PMA was applied only to reflect the refinance risk to a higher interest rate for Real Estate loans maturing during 2023, increased input prices and supply issues within SME and affordability risk in Consumer Finance. The PMA is applied to customers with a similar risk profile.

For 2022, the cost of living PMA was all allocated to Stage 1 given the forward-looking nature of the risks on affordability driven by higher inflation and refinance risk given higher interest rates.

34.6 Analysis of the loss allowance recognised

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.

	Modelled ECL £m	Judgemental adjustments £m	Total £m	Of which:		
				Stage 1 £m	Stage 2 £m	Stage 3 £m
As at 31 December 2024						
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

	Modelled ECL £m	Judgemental adjustments £m	Total £m	Of which:		
				Stage 1 £m	Stage 2 £m	Stage 3 £m
As at 31 December 2023						
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

	Modelled ECL £m	Judgemental adjustments £m	Total £m	Of which:		
				Stage 1 £m	Stage 2 £m	Stage 3 £m
As at 31 December 2022						
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.....	106.4	5.4	111.8	43.2	22.6	46.0
Loans and advances to customers at FVOCI (recognised in FVOCI reserve).....	1.0	1.4	2.4	1.9	0.3	0.2
Investment securities.....	<0.1	–	<0.1	<0.1	–	–
Loan commitments (recognised as a provision).....	0.5	–	0.5	0.3	–	0.2
Total loss allowance recognised	107.9	6.8	114.7	45.4	22.9	46.4

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 on the following pages.

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 all reported periods. Accordingly, no additional analysis is provided.

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. Except for loans at FVOCI, the loss allowance is recognised as a deduction from the gross carrying amount of the asset. Despite loan growth and a stable coverage ratio in Stage 1, loan migrations to Stage 3 have increased the coverage ratio to 1.1%.

34.6.1 Total loans and advances to customers

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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	(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		
	Real Estate	SME	Consumer	Retail	
As at 31 December 2023	£m	£m	Finance	Mortgage	Total
			£m	Brands	£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	(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%

	Commercial		Retail		
	Real Estate	SME	Consumer	Retail	
As at 31 December 2022	£m	£m	Finance	Mortgage	Total
			£m	Brands	£m
Stage 1.....	4,470.0	2,299.6	487.0	2,308.3	9,564.9
Stage 2.....	535.6	224.5	38.1	127.9	926.1
Stage 3.....	149.0	84.0	4.4	52.7	290.1
Gross carrying amount	5,154.6	2,608.1	529.5	2,488.9	10,781.1
Stage 1.....	(6.8)	(20.0)	(14.1)	(4.5)	(45.4)
Stage 2.....	(3.7)	(11.6)	(6.7)	(0.9)	(22.9)
Stage 3.....	(16.4)	(23.7)	(3.5)	(2.8)	(46.4)
Loss allowance	(26.9)	(55.3)	(24.3)	(8.2)	(114.7)
Loss allowance coverage					
Stage 1.....	0.2%	0.9%	2.9%	0.2%	0.5%
Stage 2.....	0.7%	5.2%	17.6%	0.7%	2.5%
Stage 3.....	11.0%	28.2%	79.5%	5.3%	16.0%
Total loss allowance coverage	0.5%	2.1%	4.6%	0.3%	1.1%

34.7 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 (2023: £(130.2) million; 2022: £(111.8) million). The loss allowance is recognised as a deduction from the gross carrying amount of the asset (see Note 2.20). The following tables provide an analysis of loans and advances to customers at amortised cost by lending segment and the year-end stage classification:

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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.....	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.....	(28.0)	(40.2)	(6.5)	(3.3)	(78.0)
Loss allowance	(44.3)	(76.2)	(33.9)	(5.0)	(159.4)
Carrying amount	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		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2023					
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.....	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.....	(24.3)	(20.3)	(5.6)	(3.7)	(53.9)
Loss allowance	(37.1)	(57.3)	(30.1)	(5.7)	(130.2)
Carrying amount	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%

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2022					
Stage 1.....	4,470.0	2,299.6	487.0	1,022.9	8,279.5
Stage 2.....	535.6	224.5	38.1	99.1	897.3
Stage 3.....	149.0	84.0	4.4	50.5	287.9
Gross carrying amount	5,154.6	2,608.1	529.5	1,172.5	9,464.7
Stage 1.....	(6.8)	(19.7)	(14.1)	(2.6)	(43.2)
Stage 2.....	(3.7)	(11.6)	(6.7)	(0.6)	(22.6)
Stage 3.....	(16.4)	(23.5)	(3.5)	(2.6)	(46.0)
Loss allowance	(26.9)	(54.8)	(24.3)	(5.8)	(111.8)
Carrying amount	5,127.7	2,553.3	505.2	1,166.7	9,352.9
Loss allowance coverage					
Stage 1.....	0.2%	0.9%	2.9%	0.3%	0.5%
Stage 2.....	0.7%	5.2%	17.6%	0.6%	2.5%
Stage 3.....	11.0%	28.0%	79.5%	5.1%	16.0%
Total loss allowance coverage	0.5%	2.1%	4.6%	0.5%	1.2%

The following tables provide an analysis of loans and advances to customers at amortised cost by agreement type and the year-end stage classification:

	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
As at 31 December 2024				
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.....	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.....	(71.2)	(0.4)	(6.4)	(78.0)
Loss allowance	(149.4)	(0.7)	(9.3)	(159.4)
Carrying amount	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%

	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
As at 31 December 2023				
Stage 1.....	8,863.1	25.4	392.5	9,281.0
Stage 2.....	967.7	0.4	29.4	997.5
Stage 3.....	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.....	(47.5)	(0.8)	(5.6)	(53.9)
Loss allowance	(120.1)	(1.0)	(9.1)	(130.2)
Carrying amount	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%

	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
As at 31 December 2022				
Stage 1.....	7,894.2	34.5	350.8	8,279.5
Stage 2.....	880.0	2.7	14.6	897.3
Stage 3 ¹	269.5	2.5	15.9	287.9
Gross carrying amount	9,043.7	39.7	381.3	9,464.7
Stage 1.....	(41.2)	(0.2)	(1.8)	(43.2)
Stage 2.....	(21.1)	(0.1)	(1.4)	(22.6)
Stage 3.....	(37.3)	(1.7)	(7.0)	(46.0)
Loss allowance	(99.6)	(2.0)	(10.2)	(111.8)
Carrying amount	8,944.1	37.7	371.1	9,352.9
Loss allowance coverage				
Stage 1.....	0.5%	0.6%	0.5%	0.5%
Stage 2.....	2.4%	3.7%	9.6%	2.5%
Stage 3.....	13.8%	68.0%	44.0%	16.0%
Total loss allowance coverage	1.1%	5.0%	2.7%	1.2%

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.

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 approach to determining carrying values and ECLs for newly originated or purchased financial assets, as well as for derecognised financial assets, was also revised as compared to 2023.

The tables for the years ended 31 December 2023 and 2022 are 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 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				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at start of period	47.3	29.0	53.9	130.2	43.2	22.6	46.0	111.8	25.8	15.2	35.0	76.0
ECL charge/(credit) for the year												
Transfer from Stage 1.....	(13.2)	12.9	0.3	–	(3.1)	2.6	0.5	–	(2.6)	2.1	0.5	–
Transfer from Stage 2.....	12.4	(35.5)	23.1	–	3.7	(8.0)	4.3	–	3.1	(4.3)	1.2	–
Transfer from Stage 3.....	8.0	7.3	(15.3)	–	0.4	2.0	(2.4)	–	–	3.0	(3.0)	–
New financial assets originated or purchased.....	20.6	0.1	–	20.7	19.7	7.7	2.6	30.0	17.2	3.6	6.0	26.8
Financial assets derecognised (excluding disposals)	(19.3)	(7.9)	(25.8)	(53.0)	(14.9)	(5.6)	(20.0)	(40.5)	(5.2)	(3.1)	(9.5)	(17.8)
Changes in credit risk ⁹⁵	(7.8)	27.5	41.8	61.5	(1.7)	7.7	24.3	30.3	4.9	6.1	15.8	26.8
Net ECL charge/(credit) for the year.....	0.7	4.4	24.1	29.2	4.1	6.4	9.3	19.8	17.4	7.4	11.0	35.8
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	17.4	7.4	11.0	35.8
As at end of period.....	48.0	33.4	78.0	159.4	47.3	29.0	53.9	130.2	43.2	22.6	46.0	111.8

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.⁹⁶ The table is compiled using the same methodology as described for the loss allowance movement table on the previous page.

⁹⁵ 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.

⁹⁶ 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. Additionally, the approach to determining carrying values and ECLs for newly originated or purchased financial assets, as well as for derecognised financial assets, was revised as compared to 2023.

	2024				2023				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at start of period	9,281.0	997.5	352.1	10,630.6	8,279.5	897.3	287.9	9,464.7	7,315.7	831.2	221.6	8,368.5
Movements in gross carrying amount												
Transfer from Stage 1.....	(1,128.5)	1,074.3	54.2	–	(569.2)	465.8	103.4	–	(590.2)	478.0	112.2	–
Transfer from Stage 2.....	538.1	(887.5)	349.4	–	279.6	(338.6)	59.0	–	295.0	(339.7)	44.7	–
Transfer from Stage 3.....	27.2	97.2	(124.4)	–	7.0	21.5	(28.5)	–	0.3	25.5	(25.8)	–
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	2,761.7	108.6	35.8	2,906.1
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)	(1,396.2)	(174.6)	(71.4)	(1,642.2)
Financial assets derecognised on disposal...	(19.1)	(4.2)	(1.2)	(24.5)	–	–	–	–	(106.8)	(31.7)	(29.2)	(167.7)
Net changes in lending ⁹⁷ ...	(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	963.8	66.1	66.3	1,096.2
As at end of period	10,276.9	1,023.3	506.8	11,807.0	9,281.0	997.5	352.1	10,630.6	8,279.5	897.3	287.9	9,464.7

⁹⁷ Net changes in lending includes repayments, additional drawdowns and accrued interest.

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 11). An analysis of this charge by lending segment is provided in the following table.

	For the financial year ended 31 December		
	2024 £m	2023 £m	2022 £m
Real Estate	7.2	10.2	6.3
SME	18.9	3.9	16.0
Consumer Finance	3.8	5.8	10.2
Retail Mortgage Brands	(0.7)	(0.1)	3.3
Net ECL charge for the year	29.2	19.8	35.8

The higher net ECL charge during 2024 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 Auto Holdings Limited in September 2024.

34.8 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; 2022: £2.4 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 lending segment and all represent mortgage loan receivables.

	2024 £m	2023 £m	2022 £m
Stage 1	3,308.5	2,546.40	1,285.40
Stage 2	230.2	239.3	28.8
Stage 3	62.4	26.3	2.2
Carrying amount⁹⁸	3,601.1	2,812.0	1,316.4
Stage 1	(6.6)	(3.4)	(1.9)
Stage 2	(2.5)	(2.2)	(0.3)
Stage 3	(2.9)	(1.1)	(0.2)
Loss allowance	(12.0)	(6.7)	(2.4)
Loss allowance coverage			
Stage 1	0.2%	0.10%	0.10%
Stage 2	1.1%	0.90%	1.00%
Stage 3	4.6%	4.20%	9.10%
Total loss allowance coverage	0.3%	0.2%	0.2%

⁹⁸ Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

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.⁹⁹

The table is compiled in the same way as the amortised cost table and reflects the same change in methodology for the current year.

⁹⁹ 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. Additionally, the approach to determining carrying values and ECLs for newly originated or purchased financial assets, as well as for derecognised financial assets, was revised as compared to 2023.

	2024				2023				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at start of period	3.4	2.2	1.1	6.7	1.9	0.3	0.2	2.4	–	–	–	–
ECL charge for the year												
Transfer from Stage.....	(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	1.9	0.3	0.2	2.4
Financial assets derecognised (excluding disposals) ...	(0.9)	–	–	(0.9)	–	(0.1)	(0.2)	(0.3)	–	–	–	–
Changes in credit risk ¹⁰⁰	(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	1.9	0.3	0.2	2.4
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	1.9	0.3	0.2	2.4
As at end of period	6.6	2.5	2.9	12.0	3.4	2.2	1.1	6.7	1.9	0.3	0.2	2.4

The net ECL charge for the year represents the amount recognised in the statement of profit and loss within impairment losses on financial assets (see Note 11).

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 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.

¹⁰⁰ 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.

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.¹⁰¹ The table is compiled using the same methodology as described for the loss allowance movement table above.

	2024				2023				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	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	1,313.3	29.5	2.2	1,345.0
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 ¹⁰²	(69.5)	48.0	8.8	(12.7)	128.6	(13.4)	5.7	120.9	(11.2)	(0.3)	–	(11.5)
Change in fair value	34.9	0.5	0.2	35.6	10.0	–	(0.1)	9.9	(16.7)	(0.4)	–	(17.1)
Total movement in carrying amount	762.1	(9.1)	36.1	789.1	1,261.0	210.5	24.1	1,495.6	1,285.4	28.8	2.2	1,316.4
As at 31 December	3,308.5	230.2	62.4	3,601.1	2,546.4	239.3	26.3	2,812.0	1,285.4	28.8	2.2	1,316.4

¹⁰¹ 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. Additionally, the approach to determining carrying values and ECLs for newly originated or purchased financial assets, as well as for derecognised financial assets, was revised as compared to 2023.

¹⁰² Net changes in lending includes repayments, additional drawdowns and accrued interest.

34.8.1 Additional analysis of loan commitments

The loss allowance for loan commitments is £0.6 million (2023: £3.8 million; 2022: £0.5 million). The loss allowance is recognised as a provision (see Note 2.20).

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				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	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	0.3	0.1	0.3	0.7
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	–	–	–	–	–	–	–	–	0.2	–	(0.2)	–
New loan commitments	–	–	–	–	1.2	–	–	1.2	0.1	–	–	0.1
Loan commitments derecognised	(0.3)	(0.2)	–	(0.5)	–	–	(0.2)	(0.2)	(0.2)	–	–	(0.2)
Changes in credit risk	(1.1)	(0.4)	(1.2)	(2.7)	0.8	0.5	1.0	2.3	(0.1)	(0.1)	0.1	(0.1)
Net ECL charge/(credit) for the year	(1.8)	(0.4)	(1.0)	(3.2)	2.0	0.5	0.8	3.3	–	(0.1)	(0.1)	(0.2)
As at 31 December	0.5	0.1	–	0.6	2.3	0.5	1.0	3.8	0.3	–	0.2	0.5

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 11).

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				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at start of period	1,208.1	57.1	15.6	1,280.8	1,570.0	57.0	1.7	1,628.7	1,176.8	45.9	8.9	1,231.6
Movements in gross loan commitments												
Transfer from Stage 1.....	(46.7)	43.2	3.5	–	(24.9)	20.8	4.1	–	(46.6)	38.4	8.2	–
Transfer from Stage 2.....	0.7	(4.3)	3.6	–	–	(12.0)	12.0	–	23.0	(25.6)	2.6	–
Transfer from Stage 3.....	–	–	–	–	–	–	–	–	2.5	1.5	(4.0)	–
New loan commitments....	498.2	2.3	–	500.5	361.5	4.9	0.1	366.5	416.7	8.5	–	425.2
Loan commitments derecognised.....	(339.4)	(29.5)	(3.3)	(372.2)	(247.7)	(19.0)	(0.6)	(267.3)	(351.4)	–	(11.2)	(362.6)
Net changes in commitments.....	22.8	(14.6)	(2.9)	5.3	(450.8)	5.4	(1.7)	(447.1)	349.0	(11.7)	(2.8)	334.5
Total movement in gross loan commitments.....	135.6	(2.9)	0.9	133.6	(361.9)	0.1	13.9	(347.9)	393.2	11.1	(7.2)	397.1
As at end of period	1,343.7	54.2	16.5	1,414.4	1,208.1	57.1	15.6	1,280.8	1,570.0	57.0	1.7	1,628.7

34.9 Critical judgements relating to the impairment of financial assets

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 historical financial information 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 historical financial information 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 in Note 34.5.

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.

34.10 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 Note 34.14).

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.

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.

34.11 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.

34.12 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	
	Gross carrying amount £m	Loss allowance £m	Gross carrying amount £m	Loss allowance £m
As at 31 December 2024				
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	
	Gross carrying amount £m	Loss allowance £m	Gross carrying amount £m	Loss allowance £m
As at 31 December 2023				
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)

	Stage 2		Stage 3	
	Gross carrying amount £m	Loss allowance £m	Gross carrying amount £m	Loss allowance £m
As at 31 December 2022				
Not in cure period	788.0	(21.8)	244.6	(42.6)
In cure period	85.1	(1.1)	38.1	(4.4)
Total	873.1	(22.9)	282.7	(47.0)

34.13 Critical accounting estimates relating to the impairment of financial assets

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.

34.14 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 Autumn 2024 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 H1 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 E.U. and China.

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%
	Base	4.00%	3.50%	2.75%	2.75%	2.75%
Bank Rate (%)	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	6.5%	8.0%	7.1%	6.3%	5.7%
	Base	2.3%	2.0%	2.0%	2.0%	2.0%
Consumer Price Index – % change year-on-year	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%
	Base	5.00%	3.75%	3.25%	2.50%	2.25%
Bank Rate (%)	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%
	Base	2.0%	2.0%	2.0%	2.0%	2.0%
Consumer Price Index – % change year-on-year	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%

As at 31 December 2022		2023	2024	2025	2026	2027
GDP – % average change year-on-year	Base	(1.1%)	1.8%	3.1%	3.3%	2.0%
	Upside	0.5%	3.1%	3.0%	3.0%	2.0%
	Downside	(1.7%)	0.7%	3.3%	3.3%	2.0%
	Severe downside	(3.0%)	(0.7%)	3.4%	4.5%	2.8%
	Base	3.50%	2.75%	2.50%	2.25%	2.25%
Bank Rate (%)	Upside	3.25%	2.50%	2.25%	2.25%	2.25%
	Downside	4.25%	3.75%	3.00%	2.25%	2.25%
	Severe downside	5.00%	4.75%	3.75%	2.75%	2.25%
UK Unemployment (%)	Base	4.8%	4.5%	4.1%	4.1%	4.1%
	Upside	3.5%	3.7%	3.9%	3.9%	3.9%
	Downside	5.7%	5.9%	4.9%	4.4%	4.4%
	Severe downside	6.9%	7.8%	6.2%	5.1%	4.7%
	Base	6.6%	2.0%	2.0%	2.0%	2.0%
Consumer Price Index – % change year-on-year	Upside	3.8%	2.0%	2.0%	2.0%	2.0%
	Downside	9.7%	2.2%	2.0%	2.0%	2.0%
	Severe downside	12.5%	6.2%	2.1%	2.0%	2.0%
UK Residential House Price Index – % change year-on-year	Base	(8.4%)	(0.3%)	3.7%	3.4%	3.6%
	Upside	3.4%	3.1%	4.3%	4.0%	3.6%
	Downside	(10.8%)	(3.9%)	0.6%	3.1%	3.6%
	Severe downside	(15.7%)	(10.4%)	4.3%	4.8%	3.9%

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	2022
Base	50%	50%	40%
Upside	10%	10%	10%
Downside.....	30%	30%	35%
Severe downside	10%	10%	15%

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, 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.

	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
As at 31 December 2024					
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

	Probability-weighted loss allowance per statement of financial position	Increase/(decrease) in loss allowance if scenario weighted at 100%			
		Base	Upside	Downside	Severe
					downtside
As at 31 December 2023	£m	£m	£m	£m	£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

	Probability-weighted loss allowance per statement of financial position	Increase/(decrease) in loss allowance if scenario weighted at 100%			
		Base	Upside	Downside	Severe
					downtside
As at 31 December 2022	£m	£m	£m	£m	£m
Real Estate	26.9	(2.1)	(7.2)	1.0	8.2
SME.....	55.3	(1.5)	(4.9)	1.1	4.7
Consumer Finance	24.3	(1.2)	(1.9)	0.5	3.3
Retail Mortgage Brands	8.2	(0.7)	(2.2)	0.3	2.6
Total	114.7	(5.5)	(16.2)	2.9	18.8

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.

A summary of the key assumptions and sensitivity analysis as at 31 December 2024 and 31 December 2023 is provided in the following table.

Assumption	Sensitivity analysis
PD	A 10% increase in the PD for each customer would increase the total loss allowance on loans and advances to customers at amortised cost by £7.6 million (2023: £7.7million).
LGD: Real Estate and Retail Mortgage Brands¹⁰³	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 (2023: £10.1 million).
Property value	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 (2023: £3.0 million).
Forced sale discount	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 (2023: £6.8 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 (2023: £2.0 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 (2023: £6.4 million).
LGD: Consumer 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 (2023: £3.7 million).

A summary of the key assumptions and sensitivity analysis as at 31 December 2022 is provided in the following table.

Assumption	Sensitivity analysis
PD	A 10% increase in the PD for each customer would increase the total loss allowance on loans and advances to customers at amortised cost by £5.2 million.
LGD: Real Estate and TML Mortgages	
Property value	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 and TML Mortgages segments by £8.7 million.
Forced sale discount	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 and TML Mortgages segments by £5.8 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 £7.6 million
LGD: Consumer 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 £3.1 million.

34.15 Exposure to credit risk

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).

¹⁰³ 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.

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.

	As at 31 December		
	2024 £m	2023 £m	2022 £m
Cash and balances at central banks	2,244.7	2,188.1	2,037.1
Loans and advances to banks	304.4	480.7	263.6
Loans and advances to customers at amortised cost.....	11,647.6	10,500.4	9,352.9
Loans and advances to customers at FVOCI.....	3,601.1	2,812.0	1,316.4
Investment securities	1,513.6	822.1	691.0
Derivative financial assets	227.1	252.7	330.7
Loan commitments	1,414.4	1,280.8	1,628.7
Maximum exposure to credit risk	20,952.9	18,336.8	15,620.4

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 years ended 31 December 2023 and 31 December 2022.

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 in Note 34.2. 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 all 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 BML forward flow facility 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 at FVOCI ¹⁰⁴	2024				2023				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £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	1,020.5	30.7	-	1,051.2
Medium risk.....	6,218.0	123.1	3.6	6,344.7	5,451.7	185.9	8.3	5,645.9	4,156.8	143.3	1.4	4,301.5
High risk.....	3,410.8	836.7	539.1	4,786.6	3,288.5	947.7	355.6	4,591.8	3,410.6	652.7	238.0	4,301.3
Ungraded.....	2,463.6	36.5	23.0	2,523.1	1,658.4	22.0	13.3	1,693.7	977.0	99.4	50.7	1,127.1
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	9,564.9	926.1	290.1	10,781.1

Loan commitments	2024				2023				2022			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	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	986.6	–	–	986.6
Medium risk.....	346.9	–	0.1	347.0	213.1	0.5	6.4	220.0	302.5	–	–	302.5
High risk.....	232.2	54.2	15.4	301.8	137.6	56.6	9.2	203.4	280.9	57.0	1.7	339.6
Total amount committed	1,343.7	54.2	16.5	1,414.4	1,208.1	57.1	15.6	1,280.8	1,570.0	57.0	1.7	1,628.7

¹⁰⁴ In each case, 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; 2022: £19.8 million; £16.7 million high risk and £3.1 million ungraded). The associated loss allowance is £4.8 million (2023: £ 4.8 million; 2022: £3.6 million).

34.16 Concentrations of credit risk

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.

34.16.1 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 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 per cent. of total loans (2023: 0.2 per cent. of total loans; 2022: 0.3 per cent. of total loans).

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2023					
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	6,165.9	2,698.1	606.9	3,841.5	13,312.4

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2022					
East Anglia.....	149.5	110.5	19.2	100.1	379.3
East Midlands	238.2	112.3	34.0	159.6	544.1
Greater London.....	1,914.8	670.6	54.6	517.9	3,157.9
Guernsey/Jersey/Isle of Man.....	16.1	13.1	–	–	29.2
North East.....	71.2	37.9	26.9	82.5	218.5
North West.....	461.6	281.2	58.0	271.2	1,072.0
Northern Ireland	6.0	1.0	0.2	–	7.2
Scotland.....	283.4	78.0	59.6	180.7	601.7
South East	979.6	349.2	97.2	562.9	1,988.9
South West	325.4	335.6	41.7	164.1	866.8
Wales.....	123.1	71.7	24.7	86.2	305.7
West Midlands	289.4	225.6	44.9	181.2	741.1
Yorkshire/Humberside.....	269.4	266.6	44.2	176.7	756.9
Carrying amount	5,127.7	2,553.3	505.2	2,483.1	10,669.3

34.16.2 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 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; 2022: 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; 2022: 63.8% of total loans).

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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	1,595.1
£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	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2023					
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	6,165.9	2,698.1	606.9	3,841.5	13,312.4

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2022					
0 – £50k	140.2	31.3	504.9	32.4	708.8
£50k – £100k	354.8	38.4	0.3	288.1	681.6
£100k – £250k	1,022.7	91.4	–	1,207.3	2,321.4
£250k – £500k	1,134.1	106.7	–	738.0	1,978.8
£500k – £1.0 million	790.4	144.8	–	182.4	1,117.6
£1.0 million – £2.5 million	825.9	392.7	–	32.1	1,250.7
£2.5 million – £5.0 million	357.6	446.5	–	2.8	806.9
£5.0 million – £10.0 million	257.5	431.9	–	–	689.4
£10.0 million – £25.0 million	188.8	717.8	–	–	906.6
> £25.0 million	55.7	151.8	–	–	207.5
Carrying amount	5,127.7	2,553.3	505.2	2,483.1	10,669.3

34.16.3 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 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; 2022: 68.7% of total loans).

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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.....	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2023					
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.....	6,165.9	2,698.1	606.9	3,841.5	13,312.4

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2022					
Agriculture, forestry and fishing.....	0.2	16.5	–	–	16.7
Manufacturing.....	2.6	203.4	–	–	206.0
Transport, storage and utilities.....	7.0	266.9	–	0.2	274.1
Construction.....	386.0	460.1	–	–	846.1
Wholesale and retail trade.....	13.1	192.0	–	–	205.1
Real estate activities.....	3,026.0	553.0	–	523.7	4,102.7
Financial and insurance activities...	20.3	600.3	–	–	620.6
Services and other.....	104.8	253.0	–	0.9	358.7
Personal:					
Mortgages.....	1,261.3	8.0	–	1,958.3	3,227.6
Other.....	306.4	0.1	505.2	–	811.7
Carrying amount.....	5,127.7	2,553.3	505.2	2,483.1	10,669.3

34.16.4 Collateral held and other credit enhancements

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.

34.17 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.

34.18 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 CBILS 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. 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		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024					
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.....	6,832.0	3,082.9	881.7	4,452.1	15,248.7

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2023					
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 amount¹⁰⁵	6,165.9	2,698.1	606.9	3,841.5	13,312.4

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2022					
Secured on commercial and residential property.....	5,127.7	597.9	–	2,483.1	8,208.7
Secured on debt receivables.....	–	966.7	–	–	966.7
Secured on finance lease assets...	–	37.7	–	–	37.7
Secured on instalment credit assets	–	371.1	–	–	371.1
Other secured loans.....	–	579.9	–	–	579.9
Total secured loans and advances to customers.....	5,127.7	2,553.3	–	2,483.1	10,164.1
Unsecured loan receivables.....	–	–	505.2	–	505.2
Carrying amount.....	5,127.7	2,553.3	505.2	2,483.1	10,669.3

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).

¹⁰⁵ Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

The below tables provide further information about the credit-impaired loans at amortised cost and the related collateral held by lending segment. 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 £m
	Secured £m	Unsecured £m	Secured £m	Unsecured £m	Secured £m	Unsecured £m	
As at 31 December 2024							
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 £m
	Secured £m	Unsecured £m	Secured £m	Unsecured £m	Secured £m	Unsecured £m	
As at 31 December 2023							
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

	Gross carrying amount		Loss allowance		Carrying amount		Fair value of collateral held £m
	Secured £m	Unsecured £m	Secured £m	Unsecured £m	Secured £m	Unsecured £m	
As at 31 December 2022							
Real Estate	149.0	–	(16.4)	–	132.6	–	132.6
SME	84.0	–	(23.5)	–	60.5	–	60.5
Consumer Finance	–	4.4	–	(3.5)	–	0.9	n/a
Retail Mortgage Brands	50.5	–	(2.6)	–	47.9	–	47.9
Total credit-impaired loans at amortised cost	283.5	4.4	(42.5)	(3.5)	241.0	0.9	241.0

Credit-impaired loans at FVOCI have a carrying amount of £62.4 million (2023: £26.3 million; 2022: £2.2 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
	Real Estate £m	Retail Mortgage Brands £m	Retail Mortgage Brands £m
As at 31 December 2024			
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

	Credit-impaired mortgage assets at amortised cost		Credit-impaired mortgage assets at FVOCI
	Real Estate £m	Retail Mortgage Brands £m	Retail Mortgage Brands £m
As at 31 December 2023			
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

	Credit-impaired mortgage assets at amortised cost		Credit-impaired mortgage assets at FVOCI
	Real Estate £m	Retail Mortgage Brands £m	Retail Mortgage Brands £m
As at 31 December 2022			
Loan-to-value ratio			
Less than 50%	10.4	1.8	0.1
50-70%	50.6	16.3	0.4
71-90%	71.4	29.8	1.7
91-100%	0.2	–	–
More than 100%	–	–	–
Total credit-impaired mortgage assets	132.6	47.9	2.2

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; 2022: 17 repossessed properties with carrying amount of £22.8 million).

Forbearance

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 forbore loans.

The Group applies the 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.

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 forbore 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 forbore 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).

As at 31 December 2024	Number	Gross amount of forborne loans			Loss allowance on forborne loans			Coverage %
		Performing £m	Non- performing £m	Total £m	Performing £m	Non- performing £m	Total £m	
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	Gross amount of forborne loans			Loss allowance on forborne loans			Coverage %
		Performing £m	Non- performing £m	Total £m	Performing £m	Non- performing £m	Total £m	
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

		Gross amount of forborne loans			Loss allowance on forborne loans			Coverage %
		Performing £m	Non- performing £m	Total £m	Performing £m	Non- performing £m	Total £m	
31 December 2022	Number							
Real Estate								
Stage 2.....	148	8.8	3.8	12.6	–	(0.1)	(0.1)	0.8
Stage 3.....	497	–	46.2	46.2	–	(3.8)	(3.8)	8.2
Total	645	8.8	50.0	58.8	–	(3.9)	(3.9)	6.6
SME								
Stage 2.....	122	68.4	–	68.4	(4.0)	–	(4.0)	5.8
Stage 3.....	450	–	43.6	43.6	–	(10.3)	(10.3)	23.6
Total	572	68.4	43.6	112.0	(4.0)	(10.3)	(14.3)	12.8
Consumer Finance								
Stage 2.....	184	0.5	0.5	1.0	–	(0.2)	(0.2)	20.0
Stage 3.....	728	–	3.0	3.0	–	(2.4)	(2.4)	80.0
Total	912	0.5	3.5	4.0	–	(2.6)	(2.6)	65.0
Total								
Stage 2.....	454	77.7	4.3	82.0	(4.0)	(0.3)	(4.3)	5.2
Stage 3.....	1,675	–	92.8	92.8	–	(16.5)	(16.5)	17.
Total	2,129	77.7	97.1	174.8	(4.0)	(16.8)	(20.8)	11.9

34.19 Market risk

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.

Exposure to market risk

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:

	Euros £m	U.S. Dollars £m	Australian Dollars £m
As at 31 December 2024			
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

	Euros £m	U.S. Dollars £m	Australian Dollars £m
As at 31 December 2023			
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

	Euros £m	U.S. Dollars £m	Australian Dollars £m
As at 31 December 2022			
Loans and advances to banks.....	4.7	4.6	0.4
Loans and advances to customers..	3.2	9.6	–
Total exposure	7.9	14.2	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 Asset and Liability Committee. 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.

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 where this is considered material. 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	—	—

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	—	—

As at 31 December 2022	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	2,007.5	—	—	—	—	29.6	2,037.1
Loans and advances to banks	263.6	—	—	—	—	—	263.6
Loans and advances to customers.....	3,405.4	259.3	1,049.7	5,417.6	654.1	(329.0)	10,457.1
Investment securities	688.2	—	—	—	—	2.8	691.0
Derivative financial assets	—	—	—	—	—	330.7	330.7
Non-financial assets	2.5	2.1	4.1	15.7	1.9	132.9	159.2
Total assets	6,367.2	261.4	1,053.8	5,433.3	656.0	167.0	13,938.7
Equity and liabilities							
Amounts due to banks	(1,490.0)	—	—	—	—	(8.7)	(1,498.7)
Customer deposits	(4,365.8)	(1,752.3)	(2,880.2)	(1,815.1)	(60.8)	(40.3)	(10,914.5)
Derivative financial liabilities	—	—	—	—	—	(90.5)	(90.5)
Debt securities in issue	(116.6)	—	—	—	—	0.2	(116.4)
Lease liabilities	—	—	—	—	—	(7.4)	(7.4)
Subordinated debt liability	—	—	—	(95.0)	—	(1.8)	(96.8)
Non-financial liabilities	—	—	—	—	—	(74.6)	(74.6)
Equity	(2.0)	(10.0)	(24.0)	(642.0)	(155.0)	(306.8)	(1,139.8)
Total equity and liabilities	(5,974.4)	(1,762.3)	(2,904.2)	(2,552.1)	(215.8)	(529.9)	(13,938.7)
Notional values of derivatives	294.5	990.4	1,886.8	(2,790.1)	(381.6)	—	—
Interest rate sensitivity gap.....	687.3	(510.5)	36.4	91.1	58.6	(362.9)	—
Cumulative gap.....	687.3	176.8	213.2	304.3	362.9	—	—

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; 2022: £9.2 million negative)
- **- 250 bps:** £35.0 million negative (2023: £ 8.5 million negative; 2022: £22.2 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; 2022: £36.6 million positive)
- **- 250 bps:** 18.6 million negative (2023: £7.6 million negative; 2022: £9.6 million negative)

In preparing the above, the Group makes certain assumptions 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.

34.20 Liquidity risk

Maturity analysis for financial assets and liabilities

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

As at 31 December 2023	Less than 1 month £m	1-3 months £m	3 months - 1 year £m	1-2 years £m	2-5years £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

As at 31 December 2022	Less than 1 month £m	1-3 months £m	3 months - 1 year £m	1-2 years £m	2-5years £m	More than 5 years £m	Total £m
Financial assets							
Cash and balances at central banks	2,007.5	–	–	–	–	29.6	2,037.1
Loans and advances to banks	263.6	–	–	–	–	–	263.6
Loans and advances to customers.....	265.3	302.8	1,164.6	827.6	1,725.1	6,171.7	10,457.1
Investment securities	30.0	59.9	127.6	104.8	217.8	150.9	691.0
Derivative financial assets	0.1	0.8	17.7	3.6	272.3	36.2	330.7
Total financial assets.....	2,566.5	363.5	1,309.9	936.0	2,215.2	6,388.4	13,779.5
Financial liabilities.....							
Amounts due to banks	(298.7)	–	–	–	(1,200.0)	–	(1,498.7)
Customer deposits.....	(3,747.3)	(715.0)	(4,563.7)	(1,310.6)	(517.9)	(60.0)	(10,914.5)
Derivative financial liabilities	(3.0)	(0.8)	(21.3)	(5.6)	(54.9)	(4.9)	(90.5)
Debt securities in issue	(6.1)	(5.6)	(12.7)	(13.3)	(36.6)	(42.1)	(116.4)
Lease liabilities	(0.2)	(0.3)	(1.4)	(1.8)	(3.0)	(0.7)	(7.4)
Subordinated debt liability.....	–	(0.3)	(1.5)	–	–	(95.0)	(96.8)
Total financial liabilities	(4,055.3)	(722.0)	(4,600.6)	(1,331.3)	(1,812.4)	(202.7)	(12,724.3)
Cumulative gap	(1,488.8)	(1,847.3)	(5,138.0)	(5,533.3)	(5,130.5)	1,055.2	1,055.2

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.

	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
As at 31 December 2024							
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

	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
As at 31 December 2023							
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

	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
As at 31 December 2022							
Amounts due to banks	298.7	12.0	36.0	48.0	1,240.0	–	1,634.7
Customer deposits	3,759.7	719.1	4,662.1	1,345.9	567.3	67.9	11,122.0
Derivative financial liabilities	3.0	0.8	21.3	5.6	54.9	4.9	90.5
Debt securities in issue	6.6	6.4	16.5	17.7	45.8	48.1	141.1
Lease liabilities	0.2	0.3	1.5	1.9	3.1	0.7	7.7
Subordinated debt liability	–	0.7	7.5	8.1	24.1	116.1	156.5
Total financial liabilities	4,068.2	739.3	4,744.9	1,427.2	1,935.2	237.7	13,152.5

34.21 Asset encumbrance

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.

	<u>Encumbered assets</u>		<u>Unencumbered assets</u>		
	<u>Pledged</u>		<u>Available</u>		
	<u>as</u>		<u>as</u>		
	<u>collateral</u>	<u>Other</u>	<u>collateral</u>	<u>Other</u>	<u>Total</u>
As at 31 December 2024	£m	£m	£m	£m	£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		
	Pledged as collateral £m	Other £m	Available as collateral £m	Other £m	Total £m
As at 31 December 2023					
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		Unencumbered assets		
	Pledged as collateral £m	Other £m	Available as collateral £m	Other £m	Total £m
As at 31 December 2022					
Cash and balances at central banks	–	29.6	–	2,007.5	2,037.1
Loans and advances to banks	155.5	59.5	48.6	–	263.6
Loans and advances to customers .	2,964.6	–	7,492.5	–	10,457.1
Investment securities.....	79.3	–	610.0	1.7	691.0
Derivative financial assets	–	–	–	330.7	330.7
Non-financial assets	–	–	38.1	121.1	159.2
Total assets	3,199.4	89.1	8,189.2	2,461.0	13,938.7

Encumbered assets 'pledged as collateral' comprise

Loans and advances to banks totalling £191.8 million (2023: £303.4 million; 2022: £155.5 million), of which:

- £191.8 million (2023: £286.6 million; 2022: £155.5 million) is pledged as collateral against derivative contracts.
- £nil million (2023: £16.8 million; 2022: £nil million) is pledged as collateral against repurchase agreements.

Loans and advances to customers totalling £4,561.8 million (2023: £4,292.5 million; 2022: £2,964.6 million), of which:

- £2,306.4 million (2023: £2,057.1 million; 2022: £1,602.3 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.
- £2,255.4 million (2023: £2,235.4 million; 2022: £1,362.3 million) is pledged to securitisation programmes.

Investment securities totalling £nil million (2023: £79.3 million; 2022: £79.3 million), of which:

- £nil million (2023: £79.3 million; 2022: £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; 2022: £29.6 million) as mandatory deposits with central banks abolished in 2024.
- £49.2 million (2023: £139.3 million; 2022: £59.5 million) of securitisation cash, which represents cash balances of consolidated structured entities.
- £64.3 million (2023: £25.0 million; 2022: £nil 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.

34.22 Capital Risk

Managing capital risk

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 Asset and Liability Committee, 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 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 through 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, TML, BML, JBR Capital are the only regulated subsidiaries within the Group. Shawbrook Bank Limited is supervised by the PRA and the FCA, whilst TML, BML, and JBR Capital are regulated by the FCA.

The PRA has also identified the Company to be a 'Financial Holding Company'.

Regulatory capital

Composition of the Group's regulatory capital as at 31 December is as follows:

	2024 £m	2023 £m	2022 £m
Share capital.....	2.5	2.5	2.5
Share premium	87.3	87.3	87.3
Capital contribution reserve	19.9	19.9	5.6
Retained earnings.....	1,307.2	1,101.7	905.8
Intangible assets.....	(124.0)	(107.2)	(76.4)
Transitional adjustment for IFRS 9.....	10.4	17.5	24.5
Prudent valuation adjustment.....	(3.6)	(3.0)	(1.3)
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	948.0
Capital securities	123.1	123.1	122.9
Additional Tier 1 capital	123.1	123.1	122.9
Total Tier 1 capital	1,416.2	1,241.8	1,070.9
Subordinated debt liability ⁽¹⁾	163.6	183.1	94.1
Tier 2 capital	163.6	183.1	94.1
Total regulatory capital	1,579.8	1,424.9	1,165.0

(1) For the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments of £7.5 million are excluded (2023: £5.4 million; 2022: £2.7 million).

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	2022 £m
Total regulatory capital	1,579.8	1,424.9	1,165.0
Subordinated debt liability ⁽¹⁾	(163.6)	(183.1)	(94.1)
Intangible assets.....	124.0	107.2	76.4
Transitional adjustment for IFRS 9.....	(10.4)	(17.5)	(24.5)
Prudent valuation adjustment.....	3.6	3.0	1.3
Securitisation position which alternatively be subject to 1,250.0% risk weight.....	6.6	—	—
Cash flow hedging reserve	12.7	4.5	26.4
Fair value through other comprehensive income reserve	29.6	(0.3)	(10.7)
Total equity	1,582.3	1,338.7	1,139.8

(1) For the purpose of regulatory capital calculations, capitalised interest and other accounting adjustments of £7.5 million are excluded (2023: £5.4 million; 2022: £2.7 million).

Movement in the Group's total regulatory capital during the year is as follows:

	2024 £m	2023 £m	2022 £m
Total regulatory capital as at 1 January	1,424.9	1,165.0	996.4
Movement in Common Equity Tier 1 capital			
Increase in capital contribution reserve	–	14.3	–
Increase in retained earnings:			
Profit for the year	219.9	212.1	174.7
Share-based payments.....	0.7	0.7	0.1
Release of capitalised costs on settled capital securities	(15.1)	–	(1.0)
Coupon paid on capital securities	(16.8)	(16.9)	(8.8)
Increase in intangible assets.....	(7.1)	(30.8)	(1.2)
Increase/(decrease) in transitional adjustment for IFRS 9.....	(0.6)	(7.0)	7.2
Increase in prudent valuation adjustment.....	(6.6)	(1.7)	(1.3)
Total movement in Common Equity Tier 1 capital.....	174.4	170.7	169.7
Movement in Additional Tier 1 capital			
Increase/(decrease) in capital securities	–	0.2	(1.1)
Total movement in Additional Tier 1 capital	–	0.2	(1.1)
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	1,165.0

35. Subsidiary Companies

35.1 Wholly-owned subsidiary companies

As at 31 December 2024, the Group includes the following subsidiary companies whose results are included in the consolidated historical financial information.

Name	Country of incorporation	Class of shares	Owner ship%	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

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 4). 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:** Floor 10, 40 Leadenhall St, City of London, London EC3A 2BJ.
- 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.

35.2 Subsidiaries by virtue of control

As at 31 December 2024, the Group includes the following structured entities relating to securitisation programmes (see Note 15). 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.....	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 25).
- 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 4). 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.

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.

36. Related party transactions

36.1 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	2022 £m
Short-term employee benefits	7.3	6.5	6.3
Other long-term benefits	1.9	1.0	1.0
Termination benefits	0.1	–	–
Total compensation for employed key management personnel	9.3	7.5	7.3

In addition to the above, in the year ended 31 December 2024, the Group incurred fees in relation to the Institutional Non-Executive 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; 2022: £0.1 million). The Institutional Non-Executive Directors are not employed by the Group and, accordingly, their fees are not included in the above table.

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; 2022: £0.5 million). Interest income recognised in respect of these loans is less than £0.1 million in all reported periods. No provisions have been recognised in respect of these loans and no balances have been written off or forgiven during 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; 2022: £0.6 million). Interest expense recognised in respect of these deposits is less than £0.1 million in all 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; 2022: £25,000 and £50,000, respectively).

36.2 Transactions with the ultimate parent

The ultimate parent and controlling party of the Group is Marlin Bidco Limited (please refer to section 7 of Part XI (*Additional Information*)).

As at 31 December 2024, the balance owed to Marlin Bidco Limited is £0.8 million (2023: £0.8 million; 2022: £0.8 million).

In the years ended 31 December 2023 and 31 December 2022, 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 10). 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.

37. Capital commitments

As at 31 December 2024, the Group has no capital commitments (2023: £nil; 2022: £nil).

38. Loan commitments

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; 2022: £1,628.7 million). A loss allowance of £0.6 million (2023: £3.8 million; 2022: £0.5 million) is held against these loan commitments, which is recognised in provisions in the statement of financial position (see Note 24).

39. Contingent assets and contingent liabilities

Part of the Group's business is regulated by the 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.

39.1 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; 2022: £nil) in relation to current and potential future customer complaints (see Note 24). 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; 2022: £nil million) recorded within Other Assets on a subset of timeshare claims relating to an anticipated recovery from the Group's 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.

39.2 Motor finance commission arrangements

There has been significant legal and regulatory intervention regarding historical commissions paid in connection with consumer motor finance agreements, which has continued into the reporting period.

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 judgement on the cases of Wrench, Johnson and 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 judgement, which was based on common law and equitable principles, set a higher bar for commission disclosure than required by then current or historical regulatory requirements.

The judgement was appealed to the Supreme Court, which heard the appeal in April 2025 and published its judgement on 1 August 2025. The Supreme Court overturned the CoA ruling by finding that the car dealers did not owe their customers a fiduciary duty when introducing them to potential providers of finance and therefore the claims against the lenders based on bribery or breach of fiduciary duty failed. On the other hand, the Supreme Court did uphold the claim in one of the cases (that of Johnson) by finding that, based on the particular facts of that case, the commission arrangement gave rise to an unfair relationship under section 140A of the Consumer Credit Act 1974, but for reasons that differed from those given by the CoA. The Supreme Court held that the mere fact that there has been no disclosure or only partial disclosure of commission (or that disclosure was not sufficiently prominent) will not suffice to make the relationship between lender and customer unfair. It is to be taken into account alongside other factors, including but not limited to (i) the significance of the size of the commission paid by the lender as compared to the total charge for credit, (ii) the nature of the commission arrangement, for example whether it is discretionary, (iii) the characteristics (e.g., financial sophistication) of the customer, (iv) the nature and prominence of the disclosure of both the commission and the relationship between the lender and dealer (especially any commercial ‘tie’), and (v) compliance with applicable regulations.

The FCA announced on 3 August 2025 that it will consult on an industry-wide scheme to compensate motor finance customers who were treated unfairly. The FCA stated that it will publish the consultation by early October 2025 and finalise any scheme in time for consumers to start receiving compensation in 2026. The FCA has stated that redress would depend on the factors considered by the Supreme Court in the Johnson case and the interaction between them, and that the consultation will consider how a range of factors in relation to the commission arrangement must be assessed together when deciding on whether the relationship was unfair. The FCA proposes that the scheme will include DCAs and that it will also consult on which non-discretionary commission arrangements should also be included in the scheme. The FCA’s methodology for calculating redress will be informed by the degree of harm suffered by the consumer and the need to ensure consumers continue to be able to access affordable loans for motor vehicles.

Potential impact on the Group:

In considering its potential exposure to motor finance commission redress payments following the Supreme Court ruling, the Group has taken into account both the continued uncertainty around the precise nature and scope of any FCA redress scheme – which will be subject to the outcome of the FCA consultation referred to above – and the facts of the Johnson case and the factors to consider in determining whether a commission arrangement was unfair.

The Group continues to assess its exposure to historical regulated motor finance lending that might be considered unfair based on an assessment of the factors considered in the Johnson case. This ongoing assessment includes all business areas and subsidiaries and considers the likely scope of the FCA redress scheme and the likely redress methodology for eligible customers.

Based on its initial conclusions from its ongoing assessment, the Group expects its potential redress liability, following the Supreme Court ruling and considering a potential FCA redress scheme, to be immaterial. The Group will continue to assess its position as the specifics around the proposed FCA redress scheme are released and fully understood.

40. Earnings per share

	2024 £	2023 £	2022 £
Basic	0.87	0.84	0.69
Diluted	0.87	0.84	0.69

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. There are no discontinued operations during the period (2023: none; 2022: none).

The following reflects the income and share data used in the basic and diluted EPS computations:

	2024 £m	2023 £m	2022 £m
Profit attributable to ordinary equity holders of the parent.....	219.9	212.1	174.7
Profit attributable to ordinary equity holders of the parent for basic earnings.....	219.9	212.1	174.7

	2024 million	2023 million	2022 million
Weighted average number of ordinary shares for basic EPS.....	253.1	253.1	253.1
Weighted average number of ordinary shares adjusted for the effect of dilution.....	253.1	253.1	253.1

41. Events after the reporting period

Save as set out in the paragraph below, there have been no significant events between 31 December 2024 and the date of approval of the historical financial information that require a change or additional disclosure.

On 30 September 2025, subsequent to the reporting period but before this historical financial information was authorised for issue, the Group completed the acquisition of the entire issued share capital of ThinCats Group Limited ('ThinCats'). ThinCats is a leading specialist lender with a strong track record in providing bespoke funding to established, growth-focused SMEs. The acquisition of ThinCats represents a strategic investment in accelerating the growth of Shawbrook's existing presence in the specialist SME lending market, underlining the Group's commitment to supporting UK SMEs with highly tailored finance facilities and relationship-led service.

In accordance with IAS 10 Events after the Reporting Period, this is a non-adjusting event as the acquisition did not provide evidence of conditions that existed at the reporting date. Accordingly, the financial position and results of ThinCats have not been recognised in these financial statements for the twelve-month period ended 31 December 2024. As required by IFRS 3 Business Combinations, the Group will recognise and measure the identifiable assets acquired, liabilities assumed and any non-controlling interest at the acquisition date. These will be presented in the Group's next set of financial statements.

During 2025, awards under the 2025 Share Plan were granted to certain directors and senior employees, under which participants received nil-cost options to acquire a number of A2 Shares in Marlin Bidco Limited, the parent of the Company. The awards are calculated by reference to the equity valuation of the Company implied on completion of an Offer.

Section C: Independent review report on the condensed consolidated interim financial information for the six months ended 30 June 2025

Section D of this Part IX contains condensed consolidated financial statements of the Group for the six months ended 30 June 2025 (the “**Interim Financial Statements**”) together with the Independent Review Report of the Company’s independent auditor, KPMG LLP on such financial information, which in each case have been extracted without material amendment from the Group’s Interim Financial Report for such period which has been published on the Company’s website at www.shawbrook.co.uk/investors (the “**Interim Financial Report**”).

The Interim Financial Statements comprise the condensed consolidated statement of profit and loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. Note 4 within the Interim Financial Statements refers to certain disclosures concerning the nature and extent of risks relating to financial instruments, which are included within the principal risks section of the Interim Risk Report in the Interim Financial Report. As those disclosures form by reference part of the Interim Financial Statements, they have been reproduced in the Appendix to this Section C.

The Independent Review Report from the Company’s independent auditor, KPMG LLP, has been reproduced in this Section C. As set out in KPMG LLP’s Independent Review Report, KPMG LLP has consented to the publication of its report on the Company’s website for the purpose of the Company showing that it has obtained an independent review report over the Interim Financial Report. The Independent Review Report has not been prepared for the purpose of, or amended for, inclusion in this Registration Document, and has been included solely for the purpose of complying with Item 18.2.1 of Annex I of the PR Regulation.

KPMG LLP does not accept or assume responsibility in respect of the Independent Review Report to any party, other than the Company. Any party other than the Company who obtains access to KPMG LLP’s Independent Review Report and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of its Independent Review Report to any other party.

Independent Review Report to Shawbrook Group plc

Conclusion

We have been engaged by Shawbrook Group plc (the Company) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025, which comprises the condensed consolidated statement of profit and loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2025 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE (UK) 2410) issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the 'Basis for conclusion' section of this report, nothing has come to our attention that causes us to believe that the Directors have inappropriately adopted the going concern basis of accounting, or that the Directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the company to cease to continue as a going concern, and the above conclusions are not a guarantee that the company will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors.

As disclosed in Note 2, the annual financial statements of the company are prepared in accordance with UK-adopted IFRS.

The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

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

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the 'basis for conclusion' section of this report.

The purpose of our review work and to whom we owe our responsibilities

Our report has been prepared for the Company solely in accordance with the terms of our engagement. We have consented to the publication of our report on the Company's website for the purpose of the Company showing that it has obtained an independent review report over the half yearly financial report.

Our report was designed to meet the agreed requirements of the Company determined by the Company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Simon Clark

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London E14 5GL

6 August 2025

Section D: Condensed Consolidated Interim Financial Statements of the Company and its subsidiary undertakings for the six months ended 30 June 2024 and 30 June 2025

Condensed Consolidated Statement of Profit and Loss

For the six months ended 30 June (Unaudited)	Note	2025 (£m)	2024 (£m)
Interest income calculated using the effective interest rate method	9	619.1	589.0
Other interest and similar income	9	75.6	96.1
Interest expense and similar charges	10	(383.8)	(395.8)
Net interest income		310.9	289.3
Operating lease rental income		3.6	4.4
Depreciation on operating leases		(3.2)	(3.8)
Net other operating lease income		0.3	0.1
Net operating lease income		0.7	0.7
Fee and commission income		7.9	7.4
Fee and commission expense		(8.0)	(7.2)
Net fee and commission (expense)/income		(0.1)	0.2
Net gains on structured asset sales		23.3	-
Net (losses)/gains on derivative financial instruments and hedge accounting		(1.0)	0.3
Net other operating income		1.7	-
Net operating income		335.5	290.5
Administrative expenses	11	(139.8)	(125.2)
Impairment losses on financial assets	12	(32.6)	(43.8)
Provisions		-	5.6
Total operating expenses		(172.4)	(163.4)
Profit before tax		163.1	127.1
Tax	13	(43.6)	(33.1)
Profit after tax, attributable to owners		119.5	94.0

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended 30 June (unaudited)	Note	2025 (£m)	2024 (£m)
Profit after tax		119.5	94.0
Items that may be reclassified subsequently to the statement of profit and loss:			
Cash flow hedging reserve			
Net (losses)/gains from effective portion of changes in fair value		(3.9)	15.3
Reclassifications to statement of profit and loss		(2.9)	(2.7)
Related tax		1.8	(3.4)
Movement in cash flow hedging reserve		(5.0)	9.2
Fair value through other comprehensive income reserve			
Net (losses)/gains from changes in fair value		(10.2)	40.7
Change in loss allowance	12	1.5	2.3
Related tax		2.3	(11.6)
Movement in fair value through other comprehensive income reserve		(6.4)	31.4
Total items that may be reclassified subsequently to the statement of profit and loss		(11.4)	40.6
Other comprehensive (expense)/income, net of tax		(11.4)	40.6
Total comprehensive income, attributable to owners		108.1	134.6

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

		As at 30 June 2025 (unaudited)	As at 31 December 2024 (audited)
Assets	Note	(£m)	(£m)
Cash and balances at central banks	21	1,575.8	2,244.7
Loans and advances to banks	21	233.6	304.4
Loans and advances to customers	24	15,806.3	15,176.6
Investment securities	16	2,279.7	1,513.6
Derivative financial assets	17	125.4	227.1
Current tax receivable		15.6	14.5
Property, plant and equipment		60.7	65.5
Intangible assets	18	126.6	124.0
Deferred tax assets		18.3	16.0
Other assets		33.1	36.3
Total assets		20,275.1	19,722.7
Liabilities			
Amounts due to banks		995.9	1,376.1
Customer deposits		16,683.0	15,804.0
Provisions	19	9.6	11.5
Derivative financial liabilities	17	108.9	117.1
Debt securities in issue	15	425.5	549.2
Lease liabilities		25.4	25.6
Other liabilities		126.9	85.8
Subordinated debt liability		215.5	171.1
Total liabilities		18,590.7	18,140.4
Equity			
Share capital		2.5	2.5
Share premium account		87.3	87.3
Capital securities		123.1	123.1
Capital contribution reserve		19.9	19.9
Cash flow hedging reserve		7.7	12.7
Fair value through other comprehensive income reserve...		23.2	29.6
Retained earnings		1,420.7	1,307.2
Total equity		1,684.4	1,582.3
Total equity and liabilities		20,275.1	19,722.7

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on 6 August 2025 and were signed on its behalf by:

Marcelino Castrillo
Chief Executive Officer

Dylan Minto
Chief Financial Officer

Registered Number 07240248

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025 (Unaudited) (£m)	Share capital	Share premium account	Capital securities	Capital contribution reserve	Cash flow hedging reserve	FVOCI reserve	Retained earnings	Total equity
As at 1 January 2025	2.5	87.3	123.1	19.9	12.7	29.6	1,307.2	1,582.3
Profit for the period	–	–	–	–	–	–	119.5	119.5
Movement in cash flow hedging reserve	–	–	–	–	(5.0)	–	–	(5.0)
Movement in fair value through other comprehensive income reserve	–	–	–	–	–	(6.4)	–	(6.4)
Total comprehensive income	–	–	–	–	(5.0)	(6.4)	119.5	108.1
Equity-settled share-based payments	–	–	–	–	–	–	1.6	1.6
Coupon paid on capital securities	–	–	–	–	–	–	(7.6)	(7.6)
Capital contribution	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–	–
As at 30 June 2025	2.5	87.3	123.1	19.9	7.7	23.2	1,420.7	1,684.4

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

For the six months ended 30 June 2024 (Unaudited) (£m)	Share capital	Share premium account	Capital securities	Capital contribution reserve	Cash flow hedging reserve	FVOCI reserve	Retained earnings	Total equity
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 period	–	–	–	–	–	–	94.0	94.0
Movement in cash flow hedging reserve	–	–	–	–	9.2	–	–	9.2
Movement in fair value through other comprehensive income reserve	–	–	–	–	–	31.4	–	31.4
Total comprehensive income	–	–	–	–	9.2	31.4	94.0	134.6
Equity-settled share-based payments	–	–	–	–	–	–	0.4	0.4
Coupon paid on capital securities	–	–	–	–	–	–	(7.7)	(7.7)
Capital contribution	–	–	–	–	–	–	–	–
Other movements	–	–	–	–	–	–	–	–
As at 30 June 2024	2.5	87.3	123.1	19.9	13.7	31.1	1,188.4	1,466.0

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June (Unaudited)	Note	2025 £m	2024 £m
Cash flows from operating activities			
Profit before tax.....		163.1	127.1
Adjustments for non-cash items and other adjustments included in the statement of profit and loss.....		46.3	45.8
Increase in operating assets.....		(548.3)	(967.7)
Increase in operating liabilities		910.0	1,386.0
Tax paid.....		(42.9)	(56.6)
Net cash generated from operating activities		528.2	534.6
Cash flows from investing activities			
Purchase of investment securities.....		(870.2)	(746.4)
Disposals and maturities of investment securities.....		73.7	340.0
Purchase of property, plant and equipment		(0.4)	(1.1)
Purchase and development of intangible assets.....		(9.3)	(5.6)
Net cash used by investing activities		(806.2)	(413.1)
Cash flows from financing activities			
Decrease in amounts due to banks		(380.2)	(32.6)
Issue of debt securities.....		—	250.0
Repurchase and redemption of debt securities.....		(118.0)	(57.5)
Payment of principal portion of lease liabilities		(0.2)	(1.3)
Issue of subordinated debt		75.0	—
Costs arising on issue of subordinated debt		(0.5)	—
Redemption of subordinated debt.....		(30.2)	—
Coupon paid to holders of capital securities		(7.6)	(7.7)
Net cash generated from/(used by) financing activities		(461.7)	150.9
Net increase in cash and cash equivalents		(739.7)	272.4
Cash and cash equivalents as at 1 January		2,549.1	2,628.9
Cash and cash equivalents as at 30 June	21	1,809.4	2,901.3
Additional information on operational cash flows from interest			
Interest paid		(427.5)	(373.3)
Interest received		746.1	710.3

The notes on pages 336 to 361 are an integral part of these condensed consolidated interim financial statements.

Shawbrook Group plc

Notes to the Interim Financial Information for the six months ended 30 June 2025

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 its registered office is Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex, CM13 3BE.

The condensed consolidated interim financial statements of Shawbrook Group plc, for the six months ended 30 June 2025, 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 22. The ultimate parent company is Marlin Bidco Limited.

The principal activities of the Group are lending and savings.

2. Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2025, have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted for use in the UK.

The condensed consolidated interim financial statements do not include all information and disclosures required in full annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. The Interim Financial Statements should be read in conjunction with the Group's 2024 Annual Report and Accounts, which were prepared in accordance with UK-adopted IFRS and are available on the Group's website www.shawbrook.co.uk/investors.

The condensed consolidated interim financial statements are prepared on a going concern basis (see Note 3) and on a historical cost basis, except for the following material items that are carried at fair value: derivative financial instruments and certain loan receivables measured at fair value through other comprehensive income (FVOCI).

All amounts are presented in pounds sterling, which is the functional currency of the Company and all of its subsidiaries. Amounts are rounded to the nearest million (to one decimal place), except where otherwise indicated.

The comparative figures for the six months ended 30 June 2024 have not been audited and do not constitute the Group's statutory accounts for that period, as defined in Section 434 of the Companies Act 2006.

The comparative figures for the year ended 31 December 2024 are the Group's statutory accounts and have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

3. Going concern

The condensed consolidated interim 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 any top and emerging risk identified 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 interim 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. Presentation of risk and capital disclosures

Disclosures concerning the nature and extent of risks relating to financial instruments are included within the principal risks section of the Interim Risk Report which are reproduced in this Registration Document. Specifically, this includes updates and additional information about credit risk (starting on page 362 of this Registration Document), market, liquidity and capital risk (starting on page 390 of this Registration Document). There have been no significant changes or developments in relation to market risk and as such no additional disclosures are provided for this reported period. Disclosures concerning the management of capital are included within the capital risk section of the Interim Risk Report starting on page 390 of this Registration Document.

5. Accounting policies

The material accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied as at and during the year ended 31 December 2024, as described in Note 7 of the 2024 Annual Report and Accounts, as are the methods of computation. These accounting policies are also expected to be reflected in the 2025 Annual Report and Accounts. The following points should also be noted:

5.1.1 Adoption of new and revised standards and interpretations during the current reporting period

On 1 January 2025, amendments to IAS 21 ('Lack of exchangeability') came into effect and were adopted by the Group during the current reporting period. None of these amendments had a significant impact on the Group.

5.1.2 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.

6. 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.

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 largely the same as those set out in Note 8 of the 2024 Annual Report and Accounts.

A summary regarding the critical accounting judgements and estimates identified in the current period are set out below:

6.1 Impairment losses on financial assets

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.

Updates and additional details, including sensitivity analysis, are included in the credit risk section of the Interim Risk Report which is reproduced from page 362 of this Registration Document. Additional information about the impairment loss recognised in the period can also be found in Note 12.

6.2 Provisions for customer remediation and conduct issues

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 an 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.

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 £0.2 million increase or a £0.2 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 the Group has 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 £2.9 million increase or a £2.9 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 £0.7 million increase or decrease in the provisions, respectively.

The Group continues 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 18 and 23.

6.3 Fair value of debt instruments measured at fair value through other comprehensive income

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. 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.

Updates and additional details, including sensitivity analysis, are provided in Note 20(b).

7. Other judgements

7.1 Securitisations

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 six months ended 30 June 2025, the Group completed one securitisation transaction. Judgement was applied to ultimately conclude for the transaction 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 15.

8. Segmental analysis

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.

8.1 Operating segments

The Group has four reportable operating segments, as follows:

Reportable segment		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. The prior period comparative tables have been updated to reflect the revised naming conventions for operating segments, as detailed in Note 11 of the 2024 Annual Report and Accounts.

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.

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.

Six months ended 30 June 2025 (unaudited)	Commercial		Retail			Underlying total £m	Underlying adjustment £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m			
Interest and similar income.....	219.7	169.1	46.1	132.0	127.8	694.7	–	694.7
Interest expense and similar charges.....	(129.3)	(67.8)	(15.6)	(87.5)	(83.6)	(383.8)	–	(383.8)
Net interest income.....	90.4	101.3	30.5	44.5	44.2	310.9	–	310.9
Net operating lease income.....	–	0.7	–	–	–	0.7	–	0.7
Net fee and commission income/ (expense).....	(1.0)	4.2	(0.7)	–	(2.6)	(0.1)	–	(0.1)
Net gains on structured asset sales.....	–	–	–	23.3	–	23.3	–	23.3
Net losses on derivative financial instruments and hedge accounting.....	–	–	–	–	(1.0)	(1.0)	–	(1.0)
Net other operating income.....	–	–	–	–	1.7	1.7	–	1.7
Net operating income.....	89.4	106.2	29.8	67.8	42.3	335.5	–	335.5
Administrative expenses.....	(12.6)	(19.9)	(11.5)	(14.8)	(75.5)	(134.3)	(5.5)	(139.8)
Impairment losses on financial assets.....	(2.0)	(19.1)	(7.4)	(4.1)	–	(32.6)	–	(32.6)
Total operating expenses.....	(14.6)	(39.0)	(18.9)	(18.9)	(75.5)	(166.9)	(5.5)	(172.4)
Profit/(loss) before tax.....	74.8	67.2	10.9	48.9	(33.2)	168.6	(5.5)	163.1

Six months ended 30 June 2024 (Unaudited)	Commercial		Retail		Other £m	Underlying total £m	Underlying adjustment £m	Statutory total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m				
Interest and similar income.....	194.6	159.7	34.0	119.4	177.4	685.1	–	685.1
Interest expense and similar charges.....	(112.7)	(68.6)	(10.0)	(73.9)	(130.6)	(395.8)	–	(395.8)
Net interest income.....	81.9	91.1	24.0	45.5	46.8	289.3	–	289.3
Net operating lease income.....	–	0.7	–	–	–	0.7	–	0.7
Net fee and commission income/ (expense).....	(1.2)	4.9	(2.3)	0.3	(1.5)	0.2	–	0.2
Net gains on derivative financial instruments and hedge accounting.....	–	–	–	–	0.3	0.3	–	0.3
Net other operating income.....	–	–	–	–	–	–	–	–
Net operating income.....	80.7	96.7	21.7	45.8	45.6	290.5	–	290.5
Administrative expenses.....	(12.3)	(20.1)	(7.6)	(19.4)	(62.8)	(122.2)	(3.0)	(125.2)
Impairment losses on financial assets.....	(8.7)	(15.6)	(17.6)	(1.9)	–	(43.8)	–	(43.8)
Provisions.....	–	–	–	–	–	–	5.6	5.6
Total operating expenses.....	(21.0)	(35.7)	(25.2)	(21.3)	(62.8)	(166.0)	2.6	(163.4)
Profit/(loss) before tax.....	59.7	61.0	(3.5)	24.5	(17.2)	124.5	2.6	127.1

The following tables present summarised information about the Group's assets and liabilities based on the 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			
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m	Total £m
As at 30 June 2025 (Unaudited)						
Assets.....	7,181.1	3,289.1	972.2	4,391.5	4,441.2	20,275.1
Liabilities.....	—	—	—	—	(18,590.7)	(18,590.7)
Net assets/(liabilities)	7,181.1	3,289.1	972.2	4,391.5	(14,149.5)	1,684.4

	Commercial		Retail			
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	Other £m	Total £m
As at 31 December 2024 (Audited)						
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

9. Interest and similar income

Six months ended 30 June (Unaudited)	2025 £m	2024 £m
Interest income calculated using the effective interest rate method		
Cash and balances at central banks.....	46.4	77.1
Loans and advances to customers: loan receivables measured at amortised cost.....	424.8	392.2
Loans and advances to customers: loan receivables measured at FVOCI.....	104.3	90.3
Investment securities.....	43.6	29.4
Total interest income calculated using the effective interest rate method	619.1	589.0
Other interest and similar income		
Loans and advances to customers: finance lease and instalment credit receivables.....	35.3	21.5
Derivative financial instruments.....	40.3	74.6
Total other interest and similar income	75.6	96.1
Total interest and similar income	694.7	685.1

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 £37.4 million attributable to derivative financial instruments in qualifying hedging relationships hedging assets (30 June 2024: £70.3 million of interest income).

10. Interest expense and similar charges

Six months ended 30 June (Unaudited)	2025 £m	2024 £m
Amounts due to banks.....	20.1	35.9
Customer deposits.....	333.2	316.4
Derivative financial instruments.....	3.9	15.2
Debt securities in issue.....	16.7	18.7
Lease liabilities.....	0.6	–
Subordinated debt liability.....	9.3	9.6
Total interest expense and similar charges	383.8	395.8

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 £2.6 million attributable to derivative financial instruments in qualifying hedging relationships hedging liabilities (30 June 2024: £11.9 million of interest expense).

11. Administrative expenses

Six months ended 30 June (Unaudited)	2025 £m	2024 £m
Payroll costs.....	79.1	72.6
Depreciation of property, plant and equipment ¹⁰⁶	3.0	1.9
Amortisation of intangible assets.....	6.7	4.6
Other administrative expenses.....	51.0	46.1
Total administrative expenses	139.8	125.2

¹⁰⁶ Depreciation included within administrative expenses 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.

12. Impairment losses on financial assets

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 periods.

The following table analyses impairment losses on financial assets by financial asset category:

Six months ended 30 June (Unaudited)	2025 £m	2024 £m
Impairment losses on loans and advances to customers at amortised cost		
Net ECL charge for the period.....	5.5	21.5
Loan balances written off in the period.....	29.6	26.7
Loan modifications.....	0.6	–
Amounts recovered in the period in respect of loan balances previously written off.....	(6.2)	(3.8)
Total impairment losses on loans and advances to customers at amortised cost.....	29.5	44.4
Impairment losses on loans and advances to customers at FVOCI		
Net ECL charge for the period ¹⁰⁷	3.1	2.3
Total impairment losses on loans and advances to customers at FVOCI	3.1	2.3
Impairment losses on loan commitments		
Net ECL (credit) for the period.....	–	(2.9)
Total impairment losses on loan commitments.....	–	(2.9)
Total impairment losses on financial assets.....	32.6	43.8

Further analysis of the net ECL charge for the period in respect of loans and advances to customers at amortised cost and at FVOCI is provided in the credit risk section of the Interim Risk Report which is reproduced from page 362 of this Registration Document, 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 6.1 and in the credit risk section of the Interim Risk Report which is reproduced from page 362 of this Registration Document.

13. Tax

The tax charge is based on the Group's estimate of the weighted average annual tax rate expected for the full financial year. The tax effects of one-off items are not included in the weighted average annual tax rate but are recognised in the relevant period. The estimated tax rate used in these condensed consolidated interim financial statements may differ from the Group's estimate of the tax rate for the annual financial statements.

The estimated average annual tax rate used for the six months ended 30 June 2025 is 26.7% (30 June 2024: 26.0%).

Based on the above tax rates, the tax charge recognised in the statement of profit and loss for the six months ended 30 June 2025 is £43.6 million (30 June 2024: £33.1 million).

¹⁰⁷ In the six months ended 30 June 2025, the change in the loss allowance of £1.5 million included in the condensed consolidated statement of comprehensive income is presented after deducting £1.6 million of loss allowance attributable to securitised loan portfolios transferred to unconsolidated structured entities at the date of derecognition from the statement of financial position (see Note 14).

14. Loans and advances to customers

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.

As at 30 June 2025 (Unaudited)	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI £m	Total £m
	Gross carrying amount £m	Loss allowance £m	Carrying amount £m		
Loan receivables.....	11,539.2	(159.2)	11,380.0	3,599.4	14,979.4
Finance lease receivables.....	25.0	(0.8)	24.2	–	24.2
Instalment credit receivables.....	788.5	(9.1)	779.4	–	779.4
	12,352.7	(169.1)	12,183.6	3,599.4	15,783.0
Fair value adjustments for hedged risk...			7.5	15.8	23.3
Total loans and advances to customers.....			12,191.1	3,615.2	15,806.3

As at 31 December 2024 (Audited)	Loans and advances to customers at amortised cost			Loans and advances to customers at FVOCI £m	Total £m
	Gross carrying amount £m	Loss allowance £m	Carrying amount £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...			(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 include the following pledged and transferred assets. Amounts represent the carrying amount (after loss allowance deducted):

- £2,368.2 million (31 December 2024: £2,306.4 million) positioned with the Bank of England for use as collateral against amounts drawn under the Term Funding Scheme with additional incentives for SMEs;
- £1,984.8 million (31 December 2024: £2,255.4 million) transferred to consolidated structured entities as part of securitisation programmes, which are pledged as collateral against debt securities in issue (see Note 15).

The impairment of financial assets is an area identified as involving critical accounting judgements and estimates.

15. Securitisations and structured entities

15.1 Consolidated structured entities

There were no new securitisation transactions with consolidated structured entities in the reported period.

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.

	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Loans and advances securitised £m	Debt securities in issue £m	Loans and advances securitised £m	Debt securities in issue £m
Lanebrook Mortgage Transaction 2024-1 plc	540.4	543.7	548.9	554.4
Lanebrook Mortgage Transaction 2023-1 plc	380.7	392.1	387.1	398.6
Shawbrook Mortgage Funding 2022-1 plc	379.0	386.3	426.6	431.4
Lanebrook Mortgage Transaction 2022-1 plc	287.6	292.8	292.1	299.3
Holbrook Mortgage Transaction 2023-1 plc	280.2	295.0	353.8	393.9
Ealbrook Mortgage Funding 2022-1 plc	123.2	134.6	146.0	161.4
Genesis Mortgage Funding 2022-1 plc	–	–	108.0	112.3
	1,991.1	2,044.5	2,262.5	2,351.3
Less: loss allowance on securitised loans.....	(6.3)	–	(7.1)	–
Less: held by the Group (and eliminated on consolidation)	–	(1,619.0)	–	(1,802.1)
Total recognised in statement of financial position	1,984.8	425.5	2,255.4	549.2

15.2 Unconsolidated structured entities

During the six months ended 30 June 2025, the following transaction with unconsolidated structured entities took place:

In May 2025, loans with a carrying amount of £563.5 million (net of £1.7 million loss allowance), comprising loans held at amortised cost of £10.9 million and loans held at FVOCI of £552.6 million, were transferred to an unconsolidated structured entity. Upon transfer, a net gain on derecognition of £22.9 million was recognised in the statement of profit and loss. The Group paid up-front expenses incurred in forming the unconsolidated structured entity of £0.9 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.

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 7.1.

16. Investment securities

Six months ended 30 June 2025 (Unaudited)	Covered bonds £m	Debt securities £m	Total £m
As at 1 January 2025	780.3	733.3	1,513.6
Additions.....	172.6	697.6	870.2
Maturities.....	(47.0)	(26.7)	(73.7)
Other movements.....	–	(30.4)	(30.4)
As at 30 June 2025	905.9	1,373.8	2,279.7

Debt securities represent mortgage-backed debt securities, of which £877.3 million (31 December 2024: £392.2 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:

- £32.8 million (31 December 2024: £nil 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.
- £37.6 million (31 December 2024: £64.3 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 periods.

17. 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 tables analyse 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	
	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
As at 30 June 2025 (Unaudited)				
Instruments not in hedging relationships				
Interest rate swaps.....	1,989.0	36.7	4,206.0	36.5
Spot and forward foreign exchange swaps.....	21.0	0.4	4.1	–
Total instruments not in hedging relationships.....	2,010.0	37.1	4,210.1	36.5
Instruments in fair value hedging relationships				
Interest rate swaps.....	9,306.8	88.1	4,823.0	69.7
Balance guaranteed swaps.....	–	–	–	–
Total instruments in fair value hedging relationships.....	9,306.8	88.1	4,823.0	69.7
Instruments in cash flow hedging relationships				
Interest rate swaps.....	220.0	0.2	420.0	2.7
Total instruments in cash flow hedging relationships.....	220.0	0.2	420.0	2.7
Total derivative financial instruments.....	11,536.8	125.4	9,453.1	108.9

	Assets		Liabilities	
	Nominal amount £m	Carrying amount £m	Nominal amount £m	Carrying amount £m
As at 31 December 2024 (Audited)				
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

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.

Balance guaranteed swaps were acquired as part of the BML acquisition in May 2023 and fair value hedge accounting was designated on acquisition. Fair value hedge accounting was de-designated following the termination of balance guaranteed swaps in June 2025.

18. Intangible assets

Six months ended 30 June 2025 (Unaudited)	Goodwill £m	Other intangible assets £m	Total £m
Carrying amount as at 1 January 2025.....	84.9	39.1	124.0
Additions.....	—	9.3	9.3
Amortisation charge for the period.....	—	(6.7)	(6.7)
Carrying amount as at 30 June 2025	84.9	41.7	126.6

Other intangible assets 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 £8.7 million of internally generated assets (31 December 2024: £14.6 million).

At the end of the reported period, the Group performed a review for indicators of goodwill impairment and none were identified. Consequently, impairment testing has not been reperformed as at 30 June 2025

19. Provisions

	Loss provision £m	Other provisions £m	Total £m
Six months ended 30 June 2025 (Unaudited)			
As at 1 January 2025	0.6	10.9	11.5
Provisions utilised.....	—	(1.9)	(1.9)
Provisions made/(released).....	—	—	—
As at 30 June 2025	0.6	9.0	9.6

Loss provision

The loss provision represents the loss allowance on loan commitments. Provisions (made)/released represent the net ECL charge/(credit) for the period on loan commitments and is recognised in impairment losses on financial assets in the statement of profit and loss (see Note 12).

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.

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 £7.7 million (31 December 2024: £9.2 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 24.

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 30 June 2025, the Group recognised a reimbursement asset of £5.6 million (31 December 2024: £5.6 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 23). 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 6.2.

20. Financial assets and financial liabilities

20.1 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 the reported period.

	30 June 2025 (Unaudited)				31 December 2024 (Audited)			
	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.....	1,575.8	–	–	1,575.8	2,244.7	–	–	2,244.7
Loans and advances to banks	233.6	–	–	233.6	304.4	–	–	304.4
Loans and advances to customers	12,191.1	3,615.2	–	15,806.3	11,596.4	3,580.2	–	15,176.6
Investment securities	2,279.7	–	–	2,279.7	1,513.6	–	–	1,513.6
Derivative financial assets....	–	–	125.4	125.4	–	–	227.1	227.1
Total financial assets	16,280.2	3,615.2	125.4	20,020.8	15,659.1	3,580.2	227.1	19,466.4
Financial liabilities								
Amounts due to banks.....	995.9	–	–	995.9	1,376.1	–	–	1,376.1
Customer deposits.....	16,683.0	–	–	16,683.0	15,804.0	–	–	15,804.0
Derivative financial liabilities...	–	–	108.9	108.9	–	–	117.1	117.1
Debt securities in issue.....	425.5	–	–	425.5	549.2	–	–	549.2
Lease liabilities.....	25.4	–	–	25.4	25.6	–	–	25.6
Subordinated debt liability.....	215.5	–	–	215.5	171.1	–	–	171.1
Total financial liabilities	18,345.3	–	108.9	18,454.2	17,926.0	–	117.1	18,043.1

20.2 Fair value of financial assets and financial liabilities

The valuation techniques applied by the Group to calculate the fair values of its financial assets and liabilities remain unchanged from the year ended 31 December 2024, as detailed in Note 39(b) of the 2024 Annual Report and Accounts. The Group uses a fair value hierarchy that reflects the significance of the inputs used in making the measurements. There are three levels to the hierarchy, summarised as follows.

The Group uses a fair value hierarchy that reflects the significance of the inputs used in making the measurements. There are three levels to the hierarchy, summarised 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); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In accordance with IFRS 7 'Financial Instruments: Disclosures', fair value disclosures are not required for lease liabilities. Accordingly, lease liabilities are not included in the following fair value disclosures.

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 the reported period.

	30 June 2025 (Unaudited)			31 December 2024 (Audited)		
	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	–	–	1,575.8	–	–	2,244.7
Loans and advances to banks	–	233.6	–	–	304.4	–
Loans and advances to customers	12,191.1	–	–	11,596.4	–	–
Investment securities	–	877.3	1,402.4	–	392.2	1,121.4
Financial liabilities at amortised cost						
Amounts due to banks	–	995.9	–	–	1,376.1	–
Customer deposits	–	16,683.0	–	–	15,804.0	–
Debt securities in issue	–	425.5	–	–	549.2	–
Subordinated debt liability	–	215.5	–	–	171.1	–

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 and 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.

	30 June 2025 (Unaudited)		31 December 2024 (Audited)	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets at amortised cost				
Loans and advances to customers	12,191.1	12,440.8	11,596.4	11,912.2
Investment securities	2,279.7	2,283.6	1,513.6	1,515.5
Financial liabilities at amortised cost				
Amounts due to banks	995.9	995.9	1,376.1	1,376.1
Customer deposits	16,683.0	16,701.5	15,804.0	15,815.0
Debt securities in issue	425.5	425.9	549.2	552.5
Subordinated debt liability	215.5	225.5	171.1	179.8

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 the reported period. All financial assets and financial liabilities measured at fair value are recurring fair value measurements.

	30 June 2025 (Unaudited)			31 December 2024 (Audited)		
	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	3,615.2	–	–	3,580.2	–	–
Derivative financial assets	–	125.4	–	–	227.1	–
Financial liabilities at fair value						
Derivative financial liabilities	–	108.9	–	–	117.1	–

Financial assets and financial liabilities measured at fair value: Level 3 analysis

The following section provides additional analysis of 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 during the period are as follows:

Six months ended 30 June 2025 (Unaudited)	Loans and advances to customers at FVOCI (£m)
As at 1 January 2025	3,580.2
Additions	692.9
Net fair value gains recognised in the statement of profit and loss.....	36.7
Net fair value losses recognised in other comprehensive income.....	(10.2)
Settlements/repayments.....	(684.4)
As at 30 June 2025	3,615.2

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 30 June 2025, 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 – 5.72%, TML owner-occupied portfolio – 5.84% and BML portfolio – 6.70% (31 December 2024: 6.08%, 6.36% and 6.88%).

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 6.3.

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 as at 30 June 2025. There would be no impact to the statement of profit and loss as a result of these changes.

Change in significant unobservable input (Unaudited)	Increase/(decrease) to asset value and FVOCI reserve £m
Decrease in discount rate by 50 bps.....	46.6
Increase in discount rate by 50 bps	(45.6)
Decrease in prepayment curve by 10%	25.0
Increase in prepayment curve by 10%	(15.5)

21. Notes to the statement of cash flows

Net change in operating assets

For the six months ended 30 June (Unaudited)	2025 £m	2024 £m
Decrease in mandatory deposits with central banks.....	—	39.9
Increase in loans and advances to customers.....	(645.4)	(968.1)
Decrease/(increase) in derivative financial assets.....	94.9	(31.1)
Increase in operating lease assets.....	(1.0)	(4.2)
Decrease/(increase) in operating lease assets.....	3.2	(4.2)
Increase in operating assets.....	(548.3)	(967.7)

Net change in operating liabilities

For the six months ended 30 June (Unaudited)	2025 £m	2024 £m
Increase in customer deposits.....	879.0	1,427.9
Decrease in other provisions.....	(1.9)	(0.5)
Decrease in derivative financial liabilities.....	(8.2)	(41.8)
Increase in other liabilities	41.1	0.4
Increase in operating liabilities.....	910.0	1,386.0

Cash and cash equivalents

	30 June 2025 (Unaudited) £m	31 December 2024 (Audited) £m
Cash and balances at central banks.....	1,575.8	2,244.7
Loans and advances to banks.....	233.6	304.4
Total cash and cash equivalents.....	1,809.4	2,549.1

The Group's cash and cash equivalents includes:

- £166.8 million (31 December 2024: £191.8 million) of cash collateral paid against derivative contracts.
- £37.2 million (31 December 2024: £49.2 million) of securitisation cash, which represents the cash balances of consolidated structured entities.
- £nil million (31 December 2024: £nil 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 periods, totalling less than £0.1 million.

22. Subsidiary companies

Full details of subsidiary companies included in the Group are detailed in Note 44 of the 2024 Annual Report and Accounts. Changes to subsidiary companies during the six months ended 30 June 2025 are summarised below.

22.1 Wholly-owned subsidiary companies

There have been no changes to wholly-owned subsidiaries during the six months ended 30 June 2025.

22.2 Subsidiaries by virtue of control

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.

There have been no other changes to subsidiaries by virtue of control during the six months ended 30 June 2025.

23. Related party transactions

Information about related parties of the Group is detailed in Note 45 of the 2024 Annual Report and Accounts.

During the six months ended 30 June 2025 there have been no significant changes in related parties, or significant new transactions with related parties, that have had a material effect on the financial position or performance of the Group.

Related party transactions during the six months ended 30 June 2025 remain similar in nature to those disclosed for the year ended 31 December 2024.

24. Contingent assets and contingent liabilities

Contingent liabilities identified as at 30 June 2025 are unchanged from those previously disclosed in Note 48 of the 2024 Annual Report and Accounts, with the Group continuing to have possible liabilities, that cannot be quantified with any certainty, in relation to Section 75 and Section 140A of the Consumer Credit Act.

In the 2024 Annual Report and Accounts, the Group provided additional information about two specific matters of note, timeshare complaints and motor finance commission arrangements. An update regarding these matters is provided below.

24.1 Timeshare complaints

The Group has received a number of complaints from customers about holiday ownership (timeshare) products and as at 30 June 2025, the Group has recognised a provision of £7.7 million (31 December 2024: £9.2 million) in relation to current and potential future customer complaints (see Note 18). 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 cover any remediation costs incurred in relation to such timeshare claims. As at 30 June 2025, the Group recognised a reimbursement asset of £5.6 million (31 December 2024: £5.6 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.

24.2 Motor finance commission arrangements

There has been significant legal and regulatory intervention regarding historical commissions paid in connection with consumer motor finance agreements, which has continued into the reporting period.

Background

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 judgement on the cases of Wrench, Johnson and 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 judgement, which was based on common law and equitable principles, set a higher bar for commission disclosure than required by then current or historical regulatory requirements.

The judgement was appealed to the Supreme Court, which heard the appeal in April 2025 and published its judgement on 1 August 2025. The Supreme Court overturned the CoA ruling by finding that the car dealers did not owe their customers a fiduciary duty when introducing them to potential providers of finance and therefore the claims against the lenders based on bribery or breach of fiduciary duty failed. On the other hand, the Supreme Court did uphold the claim in one of the cases (that of Johnson) by finding that, based on the particular facts of that case, the commission arrangement gave rise to an unfair relationship under section 140A of the Consumer Credit Act 1974, but for reasons that differed from those given by the CoA. The Supreme Court held that the mere fact that there has been no disclosure or only partial disclosure of commission (or that disclosure was not sufficiently prominent) will not suffice to make the relationship between lender and customer unfair. It is to be taken into account alongside other factors, including but not limited to (i) the significance of the size of the commission paid by the lender as compared to the total charge for credit, (ii) the nature of the commission arrangement, for example whether it is discretionary, (iii) the characteristics (e.g., financial sophistication) of the customer, (iv) the nature and prominence of the disclosure of both the commission and the relationship between the lender and dealer (especially any commercial 'tie'), and (v) compliance with applicable regulations.

The FCA announced on 3 August 2025 that it will consult on an industry-wide scheme to compensate motor finance customers who were treated unfairly. The FCA stated that it will publish the consultation by early October 2025 and finalise any scheme in time for consumers to start receiving compensation in 2026. The FCA has stated that redress would depend on the factors considered by the Supreme Court in the Johnson case and the interaction between them, and that the consultation will consider how a range of factors in relation to the commission arrangement must be assessed together when deciding on whether the relationship was unfair. The FCA proposes that the scheme will include DCAs and that it will also consult on which non-discretionary commission arrangements should also be included in the scheme. The FCA's methodology for calculating redress will be informed by the degree of harm suffered by the consumer and the need to ensure consumers continue to be able to access affordable loans for motor vehicles.

Potential impact on the Group

In considering its potential exposure to motor finance commission redress payments following the Supreme Court ruling, the Group has taken into account both the continued uncertainty around the precise nature and scope of any FCA redress scheme – which will be subject to the outcome of the FCA consultation referred to above – and the facts of the Johnson case and the factors to consider in determining whether a commission arrangement was unfair.

The Group continues to assess its exposure to historical regulated motor finance lending that might be considered unfair based on an assessment of the factors considered in the Johnson case. This ongoing assessment includes all business areas and subsidiaries and considers the likely scope of the FCA redress scheme and the likely redress methodology for eligible customers.

Based on its initial conclusions from its ongoing assessment, the Group expects its potential redress liability, following the Supreme Court ruling and considering a potential FCA redress scheme, to be immaterial. The Group will continue to assess its position as the specifics around the proposed FCA redress scheme are released and fully understood.

25. Events after the balance sheet date

There have been no significant events between 30 June 2025 and the date of approval of the Interim Financial Report that require a change or additional disclosure in the condensed consolidated interim financial statements.

Appendix to the Condensed Consolidated Interim Financial Statements of the Company and its subsidiary undertakings for the six months ended 30 June 2024 and 30 June 2025

Principal risks: Credit risk

During the first half of 2025, a reorganisation of the 2nd Line Credit Risk function was undertaken, with the external recruitment of a Deputy Chief Credit Risk Officer and Head of Asset Backed Lending. These appointments have significantly strengthened the capability of the 2nd Line Credit Risk team, supporting the Chief Credit Officer in the drive to evolve the effectiveness and efficiency of the Credit Risk function.

The focus on Credit Risk across the Group has continued to evolve, with increasing sophistication of analysis and monitoring of both new to bank and in-life cases, including expansive financial sensitivity analysis and the harnessing of both external and internal data sources. Combined with the improved Early Warning Indicator framework implemented in 2024, this has resulted in a significant improvement in the proactiveness of monitoring and escalation of cases which exhibit deteriorating features. This has been supplemented by the continuing regular deep dives across both Commercial and Retail portfolios. Furthermore, the implementation of an improved Watchlist reporting and monitoring process has been successfully embedded, together with enhancements to the impairment process.

The implementation of the new credit management platform within the Commercial business is progressing in line with the project plan and is on track to be fully rolled out and embedded during the early part of the second half of the year. Also, the integration of JBR has been successfully completed and its policies, processes and controls surrounding approvals, arrears and non-performing case management has been aligned to those of the wider Group.

The following sections provide additional information and analysis regarding the key areas that are monitored in relation to credit risk. This includes information about the impairment of financial assets; exposure to credit risk; concentrations of credit risk and forbearance.

Impairment of financial assets

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. Impairments are 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.

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.

The measurement and calculation of ECLs is detailed in the Group's 2024 Annual Report and Accounts starting on page 105. During the first half of 2025, there have been no notable changes to the methodology applied in calculating ECLs and the Group continues to make judgemental adjustments to modelled ECLs to ensure the loss allowance recognised adequately reflects the expected outcome.

The following sections provide additional information regarding the loss allowance recognised in the statement of financial position, details about judgemental adjustments applied to modelled ECLs and updates regarding the critical accounting judgements and estimates associated with the impairment of financial assets.

Analysis of the loss allowance recognised

The following table provides a summary of the loss allowance recognised in the statement of financial position in relation to each financial asset class. Except where noted, the loss allowance is recognised as a deduction from the gross carrying amount of the asset.

As at 30 June 2025 (Unaudited)	Modelled ECL £m	Judgemental adjustments (See page 373) £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	166.7	2.4	169.1	55.2	29.7	84.2
Loans and advances to customers at FVOCI (recognised in FVOCI reserve)	11.3	2.2	13.5	7.1	2.2	4.2
Investment securities	<0.1	–	<0.1	<0.1	–	–
Loan commitments (recognised as a provision)	0.6	–	0.6	0.4	0.2	–
Total loss allowance recognised	178.6	4.6	183.2	62.7	32.1	88.4

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a loss allowance of £4.4 million.

As at 31 December 2024 (Audited)	Modelled ECL £m	Judgemental adjustments (See page 373) £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

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a loss allowance of £4.4 million.

For loans and advances to customers at amortised cost and loans and advances to customers at FVOCI, additional analysis is provided starting on page 362 and 371, respectively.

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 periods. All assets within these asset categories are in Stage 1.

The loss allowance on loan commitments is recognised as a provision in the statement of financial position (see Note 12 of the Interim Financial Statements). The change in the loss allowance on loan commitments for the reported period is recognised in the statement of the profit and loss within impairment losses on financial assets (see Note 19 of the Interim Financial Statements).

The following table provides a summary of the loss allowance recognised in the statement of financial position in relation to loans and advances to customers and loan commitments. Except for loans at FVOCI, the loss allowance is recognised as a deduction from the gross carrying amount of the asset. Although Stage 3 loans increased due to certain names in SME migrating from stage 2 and late arrears in retail mortgage brands due to portfolio seasoning there was a reduction in the proportion of stage 2 loans which means that together with some write-offs meant that the loss allowance coverage remained stable at 1.1%.

Total loans and advances to customers

As at 30 June 2025 (Unaudited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
Stage 1	6,634.8	2,773.9	915.7	3,692.8	14,017.2
Stage 2	378.9	328.1	72.6	486.2	1,265.8
Stage 3	215.7	242.5	16.3	194.6	669.1
Gross carrying amount	7,229.4	3,344.5	1,004.6	4,373.6	15,952.1
Stage 1	(13.2)	(26.8)	(14.1)	(8.6)	(62.7)
Stage 2	(5.0)	(14.8)	(9.4)	(2.9)	(32.1)
Stage 3	(30.5)	(42.1)	(7.7)	(8.1)	(88.4)
Loss allowance⁽¹⁾	(48.7)	(83.7)	(31.2)	(19.6)	(183.2)
Loss allowance coverage					
Stage 1	0.2%	1.0%	1.5%	0.2%	0.4%
Stage 2	1.3%	4.5%	12.9%	0.6%	2.5%
Stage 3	14.1%	17.4%	47.2%	4.2%	13.2%
Total loss allowance coverage	0.7%	2.5%	3.1%	0.4%	1.1%

(1) Loss allowance includes loss allowance on loan commitments in amount of £0.6 million, of which £0.4 million relates to Stage 1, £0.2 million to Stage 2 and £nil million to Stage 3 loans (31 December 2024: £0.6 million loss allowance, of which £0.5 million in Stage 1, £0.1 million in Stage 2 and £nil million in Stage 3).

As at 31 December 2024 (Audited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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⁽¹⁾	(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%

(1) Loss allowance includes loss allowance on loan commitments in amount of £0.6 million, of which £0.4 million relates to Stage 1, £0.2 million to Stage 2 and £nil million to Stage 3 loans (31 December 2024: £0.6 million loss allowance, of which £0.5 million in Stage 1, £0.1 million in Stage 2 and £nil million in Stage 3).

Additional analysis of loans and advances to customers at amortised cost

For loans and advances to customers at amortised cost, the loss allowance is £169.1 million (31 December 2024: £159.4 million). The loss allowance is recognised as a deduction from the gross carrying amount of the asset (see Note 12 of the Interim Financial Statements).

The following tables provide an analysis of loans and advances to customers at amortised cost by lending segment and the period-end stage classification:

As at 30 June 2025 (Unaudited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
Stage 1	6,634.8	2,773.9	915.7	460.7	10,785.1
Stage 2	378.9	328.1	72.6	205.9	985.5
Stage 3 ⁽¹⁾	215.7	242.5	16.3	107.6	582.1
Gross carrying amount	7,229.4	3,344.5	1,004.6	774.2	12,352.7
Stage 1	(13.2)	(26.4)	(14.1)	(1.5)	(55.2)
Stage 2	(5.0)	(14.6)	(9.4)	(0.7)	(29.7)
Stage 3 ¹	(30.5)	(42.1)	(7.7)	(3.9)	(84.2)
Loss allowance	(48.7)	(83.1)	(31.2)	(6.1)	(169.1)
Carrying amount⁽²⁾	7,180.7	3,261.4	973.4	768.1	12,183.6
Loss allowance coverage					
Stage 1	0.2%	1.0%	1.5%	0.3%	0.5%
Stage 2	1.3%	4.4%	12.9%	0.3%	3.0%
Stage 3	14.1%	17.4%	47.2%	3.6%	14.5%
Total loss allowance coverage	0.7%	2.5%	3.1%	0.8%	1.4%

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.3 million, of which £14.1 million relates to Real Estate, £7.9 million to SME, £2.3 million to Consumer Finance and £5.0 million to Retail Mortgage Brands (31 December 2024: £29.0 million; £14.2 million Real Estate, £5.1 million SME, £4.0 million Consumer Finance and £5.7 million Retail Mortgage Brands). The associated loss allowance is £4.4 million, of which £3.8 million relates to Real Estate, £nil million to SME, £0.6 million to Consumer Finance and £nil million to Retail Mortgage Brands (31 December 2024: £4.8 million; £4.6 million Real Estate, £nil million SME, £0.2 million Consumer Finance and £nil million Retail Mortgage Brands). If POCI loans are excluded from the Stage 3 bucket, the Stage loss allowance coverage would be 13.2% for Real Estate, 17.9% for SME, 50.7% for Consumer Finance, 3.8% for Retail Mortgage Brands and 14.4% total Stage 3 loss allowance coverage (31 December 2024: 12.7% Real Estate, 21.5% SME, 42.6% Consumer Finance, 3.6% Retail Mortgage Brands, 15.3% total Stage 3 loss allowance coverage).

(2) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

As at 31 December 2024 (Audited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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 ⁽¹⁾	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 ¹	(28.0)	(40.2)	(6.5)	(3.3)	(78.0)
Loss allowance	(44.3)	(76.2)	(33.9)	(5.0)	(159.4)
Carrying amount⁽²⁾	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%

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.3 million, of which £14.1 million relates to Real Estate, £7.9 million to SME, £2.3 million to Consumer Finance and £5.0 million to Retail Mortgage Brands (31 December 2024: £29.0 million; £14.2 million Real Estate, £5.1 million SME, £4.0 million Consumer Finance and £5.7 million Retail Mortgage Brands). The associated loss allowance is £4.4 million, of which £3.8 million relates to Real Estate, £nil million to SME, £0.6 million to Consumer Finance and £nil million to Retail Mortgage Brands (31 December 2024: £4.8 million; £4.6 million Real Estate, £nil million SME, £0.2 million Consumer Finance and £nil million Retail Mortgage Brands). If POCI loans are excluded from the Stage 3 bucket, the Stage loss allowance coverage would be 13.2% for Real Estate, 17.9% for SME, 50.7% for Consumer Finance, 3.8% for Retail Mortgage Brands and 14.4% total Stage 3 loss allowance coverage (31 December 2024: 12.7% Real Estate, 21.5% SME, 42.6% Consumer Finance, 3.6% Retail Mortgage Brands, 15.3% total Stage 3 loss allowance coverage).

(2) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

The following tables provide an analysis of loans and advances to customers at amortised cost by agreement type and the period-end stage classification:

As at 30 June 2025 (Unaudited)	Loan receivables £m	Finance lease receivables £m	Instalment credit receivables £m	Total £m
Stage 1	10,020.8	23.8	740.5	10,785.1
Stage 2	960.1	0.7	24.7	985.5
Stage 3 ⁽¹⁾	558.3	0.5	23.3	582.1
Gross carrying amount	11,539.2	25.0	788.5	12,352.7
Stage 1	(53.3)	(0.4)	(1.5)	(55.2)
Stage 2	(29.4)	–	(0.3)	(29.7)
Stage 3	(76.5)	(0.4)	(7.3)	(84.2)
Loss allowance⁽²⁾	(159.2)	(0.8)	(9.1)	(169.1)
Carrying amount	11,380.0	24.2	779.4	12,183.6
Loss allowance coverage				
Stage 1	0.5%	1.7%	0.2%	0.5%
Stage 2	3.1%	0.0%	1.2%	3.0%
Stage 3	13.7%	80.0%	31.3%	14.5%
Total loss allowance coverage	1.4%	3.2%	1.2%	1.4%

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.3 million of which £27.0 million relates to loan receivables, £nil million to finance lease receivables, £2.3 million to instalment credit receivables (31 December 2024: £29.0 million, £29.0 million loan receivables, £nil million finance lease receivables, £nil million instalment credit receivables). The associated loss allowance is £4.4 million, of which £3.9 million relates to loan receivables, £nil million to finance lease receivables and £0.5 million to instalment credit receivables (31 December 2024: £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 13.7% for loan receivables, 80.0% for finance lease receivables, 32.4% for instalment credit receivables and 14.4% total Stage 3 loss allowance coverage (31 December 2024: 14.7% loan receivables, 80.0% finance lease receivables, 25.0% instalment credit receivables and 15.3% total Stage 3 loss allowance coverage).

(2) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

As at 31 December 2024 (Audited)	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	(71.2)	(0.4)	(6.4)	(78.0)
Loss allowance⁽²⁾	(149.4)	(0.7)	(9.3)	(159.4)
Carrying amount	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%

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.3 million of which £27.0 million relates to loan receivables, £nil million to finance lease receivables, £2.3 million to instalment credit receivables (31 December 2024: £29.0 million, £29.0 million loan receivables, £nil million finance lease receivables, £nil million instalment credit receivables). The associated loss allowance is £4.4 million, of which £3.9 million relates to loan receivables, £nil million to finance lease receivables and £0.5 million to instalment credit receivables (31 December 2024: £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 13.7% for loan receivables, 80.0% for finance lease receivables, 32.4% for instalment credit receivables and 14.4% total Stage 3 loss allowance coverage (31 December 2024: 14.7% loan receivables, 80.0% finance lease receivables, 25.0% instalment credit receivables and 15.3% total Stage 3 loss allowance coverage).

(2) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

The following table provides an analysis of movements in the loss allowance associated with loans and advances to customers at amortised cost during the six months ended 30 June 2025. The table is compiled by aggregating the six 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 period, the six months movement is reflected on the relevant addition/disposal row.

Six months ended 30 June 2025 (Unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2025	48.0	33.4	78.0	159.4
Net ECL charge/(credit) for the period				
Transfer from Stage 1	(5.9)	5.7	0.2	–
Transfer from Stage 2	5.3	(22.0)	16.7	–
Transfer from Stage 3	0.3	8.3	(8.6)	–
New financial assets originated or purchased	12.0	–	–	12.0
Financial assets derecognised (excluding disposals)	(5.8)	(6.7)	(14.7)	(27.2)
Changes in credit risk ⁽¹⁾	1.4	11.7	7.6	20.7
Net ECL charge/(credit) for the period	7.3	(3.0)	1.2	5.5
Other movements				
Financial assets derecognised on disposal	(0.1)	–	–	(0.1)
Other adjustments	–	(0.7)	5.0	4.3
Total other movements	(0.1)	(0.7)	5.0	4.2
Total movements in loss allowance	7.2	(3.7)	6.2	9.7
As at 30 June 2025	55.2	29.7	84.2	169.1

(1) Changes in credit risk includes changes resulting from net changes in lending (including repayments, additional drawdowns, accrued interest) and changes resulting from adjustments to the models used in the calculation of ECLs, including model inputs and underlying assumptions.

Movements in the gross carrying amount of loans and advances to customers at amortised cost during the six months ended 30 June 2025 are shown in the following table. The table is compiled using the same methodology as described for the loss allowance movement table on the previous page.

Six months ended 30 June 2025 (Unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2025	10,276.9	1,023.3	506.8	11,807.0
Movements in gross carrying amount				
Transfer from Stage 1	(566.3)	494.8	71.5	–
Transfer from Stage 2	267.6	(454.3)	186.7	–
Transfer from Stage 3	2.9	80.7	(83.6)	–
New financial assets originated or purchased	2,239.6	–	–	2,239.6
Financial assets derecognised (excluding disposals)	(1,116.3)	(148.6)	(60.1)	(1,325.0)
Financial assets derecognised on disposal	(5.5)	(4.6)	(0.9)	(11.0)
Net changes in lending ⁽¹⁾	(313.8)	(5.8)	(38.3)	(357.9)
Total movement in gross carrying amount	508.2	(37.8)	75.3	545.7
As at 30 June 2025	10,785.1	985.5	582.1	12,352.7

(1) Net changes in lending includes repayments, additional drawdowns and accrued interest.

The net ECL charge for the period represents the amount recognised in the statement of profit and loss within impairment losses on financial assets at amortised cost (see Note 12 of the Interim Financial Statements). An analysis of this charge by lending segment is provided in the following table.

	Six months ended 30 June 2025 (Unaudited) £m	Six months ended 30 June 2024 (Unaudited) £m
Real Estate	4.4	7.1
SME	6.9	10.0
Consumer Finance	(2.7)	5.1
Retail Mortgage Brands	1.1	(0.7)
Net ECL charge for the period⁽¹⁾	9.7	21.5

(1) The difference of £4.2 million between the net ECL charge of £9.7million for 6 months period ended 30 June 2025 on loans measured at amortised cost, calculated as the difference between the opening and closing ECL balances for the reported period, and the ECL charge of £5.5 million recorded in Note 12 of the financial statements is attributable to a change in accounting treatment for suspended interest.

The net ECL charge in the current year reflects an increase in loan book, changes in credit risk, and an increase in post model adjustments (PMAs). The net charge in SME includes an ECL release of £4.4m for a small number of loans that were written-off in the period. The net ECL credit in Consumer Finance reflects the pivot toward motor finance following the acquisition of JBR and the implementation of a new credit strategy in consumer lending built on open banking that has reduced arrears in the portfolio.

Additional analysis of loans and advances to customers at FVOCI

For loans and advances to customers at FVOCI, the loss allowance is £13.5 million (31 December 2024: £12.0 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 period-end stage classification. All FVOCI loans are attributable to the Retail Mortgage Brands lending segment and all represent mortgage loan receivables.

	30 June 2025 (Unaudited) £m	31 December 2024 (Audited) £m
Stage 1	3,232.1	3,308.5
Stage 2	280.3	230.2
Stage 3	87.0	62.4
Carrying amount⁽¹⁾	3,599.4	3,601.1
Stage 1	(7.1)	(6.6)
Stage 2	(2.2)	(2.5)
Stage 3	(4.2)	(2.9)
Loss allowance	(13.5)	(12.0)
Loss allowance coverage		
Stage 1	0.2%	0.2%
Stage 2	0.8%	1.1%
Stage 3	4.8%	4.6%
Total loss allowance coverage	0.4%	0.3%

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

The following table provides an analysis of movements in the loss allowance associated with loans and advances to customers at FVOCI during the six months ended 30 June 2025. The table is compiled by aggregating the six 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 period, the six months movement is reflected on the relevant addition/disposal row.

Loans originated from 1 January 2022 within Retail Mortgage Brands are considered under the Group's originate-to-distribute strategy.

Six months ended 30 June 2025 (Unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2025	6.6	2.5	2.9	12.0
ECL charge/(credit) for the period				
Transfer from Stage 1	(0.5)	0.4	0.1	–
Transfer from Stage 2	0.8	(2.4)	1.6	–
Transfer from Stage 3	0.1	0.7	(0.8)	–
New financial assets originated or purchased	1.1	–	–	1.1
Financial assets derecognised (excluding disposals)	(0.2)	–	(0.3)	(0.5)
Changes in credit risk ⁽¹⁾	0.4	1.3	0.8	2.5
Net ECL charge for the period	1.7	–	1.4	3.1
Other movements				
Financial assets derecognised on disposal ⁽²⁾	(1.2)	(0.3)	(0.1)	(1.6)
Total movements in loss allowance	0.5	(0.3)	1.3	1.5
As at 30 June 2025	7.1	2.2	4.2	13.5

(1) 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).

(2) CL on financial assets derecognised on disposal of £1.6 million relates to securitised loan portfolios transferred to unconsolidated structured entities at the date of derecognition from the statement of financial position (see Note 15 to the financial statements).

The net ECL charge for the period represents the amount recognised in the statement of profit and loss within impairment losses on financial assets (see Note 12 of the Interim Financial Statements).

The net ECL charge in the current period is predominantly attributable to growth in the loan book due to originations, portfolio seasoning which is reflected in an increase in arrears particularly in BML, and updates to PMAs. Financial assets derecognised on disposal 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 (excluding fair value adjustments for hedged risk) during the six months ended 30 June 2025 are shown in the following table. The table is compiled using the same methodology as described for the loss allowance movement table above.

Six months ended 30 June 2025 (Unaudited)	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
As at 1 January 2025	3,308.5	230.2	62.4	3,601.1
Movements in carrying amount				
Transfer from Stage 1	(163.4)	150.1	13.3	–
Transfer from Stage 2	86.5	(126.2)	39.7	–
Transfer from Stage 3	0.6	15.0	(15.6)	–
New financial assets originated or purchased	692.9	–	–	692.9
Financial assets derecognised (excluding disposals)	(95.0)	(8.7)	(8.5)	(112.2)
Financial assets derecognised on disposal	(532.4)	(18.4)	(3.4)	(554.2)
Change in fair value	(10.2)	(0.3)	0.3	(10.2)
Net changes in lending ⁽¹⁾	(55.4)	38.6	(1.2)	(18.0)
Total movements in carrying amount	(76.4)	50.1	24.6	(1.7)
As at 30 June 2025	3,232.1	280.3	87.0	3,599.4

(1) Net changes in lending includes repayments, additional drawdowns and accrued interest.

Judgemental adjustments to modelled ECLs

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 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.

During the period the Group has decided to replace the cost-of-living PMA with a PMA that reflects the risk of future interest rate rises at the maturity of the mortgage product. The new PMA is assessed over a 36-month period in line with industry best practice. The net reduction is due to a reduction in the number of customers at risk reflecting a change in the interest rate environment and the implementation of product transfers. For Buy-to-Let the impact also reflects the benefit of future rental growth in the assessment.

The PMA for segment risk has increased by £0.1m from £2.7m to £2.8m in the reporting period. The increase in Retail Mortgage Brands is to reflect the implementation of an LTV based probability of possession given default (PPGD) of £0.6m, a PMA for product transfers (£0.1m), offset by the removal of the PMA for unsatisfied arrears (£0.1m) which was removed through lending policy changes in July 2024 and is addressed within the PD calibration. A number of these loans were de-recognised following securitisation in October 2024. The reduction in Real Estate is due to the implementation of a Probability of Possession Given Default (PPGD) by LTV of £0.2m and the removal of a PMA for slotting effectiveness. The reduction in SME of £0.2m reflects a reduction in uncollateralised lending during the period.

A new PMA of £1.2m for Retail Mortgage Brands to reflect an increase in economic sensitivity in the downside and severe downside scenarios in our new benchmarking group when compared to all market UK Finance data.

	As at 30 June 2025 (Unaudited)					As at 31 December 2024 (Audited)				
	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
Fixed rate expiry	0.2	-	-	0.4	0.6	-	-	-	-	-
Segment risk	0.2	1.2	0.8	0.6	2.8	0.4	1.4	0.8	0.1	2.7
Economic sensitivity	-	-	-	1.2	1.2	-	-	-	-	-
Total judgemental adjustments to modelled ECLs	0.4	1.2	0.8	2.2	4.6	0.6	1.4	0.8	1.0	3.8

Critical judgements relating to the impairment of financial assets

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 significant increase in credit risk (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.

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.

Additional details regarding information used and considerations applied when making these judgements are provided in the Group's 2024 Annual Report and Accounts starting on page 117. There are no notable updates or changes to report for the current period.

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 373.

Critical accounting estimates relating to the impairment of financial assets

The calculation of ECLs requires the Group to make a number of assumptions and estimates. The key assumptions and estimates that, depending on a range of factors, could result in a material adjustment in the next financial period are unchanged to those identified in the Group's 2024 Annual Report and Accounts (see page 119). Specifically, this relates to the forward-looking economic scenarios used in the calculation of ECLs and the probability weightings applied to these scenarios, along with the key inputs and assumptions used in the ECL models. Updates on these matters are set out below.

Forward-looking information

In both reported periods the Group has used 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).

As at 30 June 2025, 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 grew strongly in Q1 reflecting an increase in business investment and a surge in exports. The Q1 momentum is not expected to be maintained with businesses facing rising costs. GDP is expected to be 1.1% by year-end and 1.3% in 2026. There are more signs of weakness in the labour market with the headline unemployment rate up to 4.5% in January-March and payrolled employment fell again in April. Firms are still expecting to cut their workforces, although the number of planned redundancies suggests the risks are easing. The unemployment rate is expected to rise to 4.7%, then only decline a little to 4.6% in 2026. Utility bills rose sharply as expected in April, but transport costs, and most notably airfares, also increased. Although some of this reflects timing of Easter, it increases worries that the UK has a persistent inflation challenge. The factors that drove April's high inflation were largely one-offs. Our central view is still that the Bank Rate will be cut in August and end 2025 at 3.75% and 2026 at 3.25%. The latter view is slightly lower than consensus.

A summary of the economic assumptions used at each reporting period end are provided in the following tables:

As at 30 June 2025 (Unaudited)		2025	2026	2027	2028	2029
GDP – % average change year-on-year	Base	1.1%	1.3%	1.6%	1.7%	1.7%
	Upside	1.7%	2.7%	1.7%	1.7%	1.8%
	Downside	0.2%	(1.7%)	1.9%	3.0%	2.7%
	Severe downside	(0.1%)	(3.2%)	0.8%	3.1%	3.1%
Bank Rate (%)	Base	3.75%	3.25%	2.75%	2.75%	2.75%
	Upside	3.75%	3.00%	2.75%	2.75%	2.75%
	Downside	2.00%	2.50%	2.75%	2.75%	2.75%
	Severe downside	5.75%	5.75%	4.75%	3.50%	2.75%
UK Unemployment (%)	Base	4.7%	4.6%	4.3%	4.1%	4.1%
	Upside	4.2%	3.9%	3.9%	3.9%	3.9%
	Downside	5.5%	5.9%	5.4%	4.8%	4.5%
	Severe downside	6.2%	8.0%	7.3%	6.3%	5.6%
Consumer Price Index – % change year-on-year	Base	3.1%	2.0%	2.0%	2.0%	2.0%
	Upside	2.5%	2.0%	2.0%	2.0%	2.0%
	Downside	2.2%	1.3%	2.0%	2.0%	2.0%
	Severe downside	6.9%	3.3%	2.0%	2.0%	2.0%
UK Residential House Price Index – % change year-on-year	Base	0.5%	0.5%	1.3%	2.3%	2.4%
	Upside	6.5%	4.0%	4.1%	3.5%	3.1%
	Downside	(4.3%)	(7.6%)	3.0%	3.6%	3.9%
	Severe downside	(6.8%)	(12.3%)	1.5%	4.2%	4.2%

As at 31 December 2024 (Audited)		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					
	Severe downside	(0.3%)	(1.4%)	2.4%	2.9%	2.6%
		(0.9%)	(2.8%)	1.4%	3.3%	3.0%
Bank Rate (%)	Base	4.00%	3.50%	2.75%	2.75%	2.75%
	Upside					
	Downside	3.50%	3.00%	2.75%	2.75%	2.75%
	Severe downside	2.00%	2.50%	2.75%	2.75%	2.75%
		6.25%	5.25%	4.25%	3.00%	2.75%
UK Unemployment (%)	Base	4.3%	4.1%	4.1%	4.1%	4.1%
	Upside					
	Downside	3.9%	3.8%	3.9%	3.9%	3.9%
	Severe downside	5.7%	5.8%	5.0%	4.7%	4.6%
		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					
	Downside	1.8%	1.8%	2.0%	2.0%	2.0%
	Severe downside	0.8%	1.9%	2.0%	2.0%	2.0%
		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					
	Downside	6.7%	4.0%	4.0%	3.3%	3.4%
	Severe downside	(8.1%)	(4.7%)	3.9%	3.7%	4.0%
		(12.1%)	(9.0%)	3.8%	4.1%	4.2%

The probability weightings applied to the four economic scenarios used are as follows:

	30 June 2025 (Unaudited)	31 December 2024 (Audited)
Base	50%	50%
Upside	10%	10%
Downside	30%	30%
Severe downside	10%	10%

The Group has considered the scenario rate paths and the recent progress in the UK economy and concluded that it is appropriate to maintain the scenario weightings as they were reported at 31 December 2024. This includes 50% on the base scenario reflecting the most likely scenario, 10% on the alternative upside scenario, 30% on the alternative downside scenario, and 10% on the alternative severe downside scenario.

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 tables show the loss allowance 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 30 June 2025 (Unaudited)	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	48.7	(4.2)	(9.1)	5.3	14.6
SME	83.7	(0.5)	(1.7)	0.4	3.4
Consumer Finance	31.2	(0.7)	(1.3)	0.7	3.0
Retail Mortgage Brands	19.6	(1.4)	(3.1)	1.8	4.9
Total	183.2	(6.8)	(15.2)	8.2	25.9

As at 31 December 2024 (Audited)	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

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 30 June 2025 is provided in the following table.

Assumption	Sensitivity analysis (Unaudited)
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 £5.8 million.
LGD: Real Estate and Retail Mortgage 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 £10.7 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 £3.5 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 £7.4 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 £2.3 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 £5.3 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 £2.7 million.

(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.

Exposure to credit risk

Maximum exposure to credit risk

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.

	30 June 2025 (Unaudited) £m	31 December 2024 (Audited) £m
Cash and balances at central banks	1,575.8	2,244.7
Loans and advances to banks	233.6	304.4
Loans and advances to customers at amortised cost	12,183.6	11,647.6
Loans and advances to customers at FVOCI	3,599.4	3,601.1
Investment securities	2,279.7	1,513.6
Derivative financial assets	125.4	227.1
Loan commitments	1,483.2	1,414.4
Maximum exposure to credit risk	21,480.7	20,952.9

Credit risk grading

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 2024.

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 period-end stage classification refers to the IFRS 9 stage. 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 periods.

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
at FVOCI**

	30 June 2025 (Unaudited)				31 December 2024 (Audited)			
	Stage 1 £m	Stage 2 £m	Stage 3 ⁽¹⁾ £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 ¹ £m	Total £m
Low risk	1,353.9	322.7	0.5	1,677.1	1,493.0	257.2	3.5	1,753.7
Medium risk	6,339.4	102.7	2.6	6,444.7	6,218.0	123.1	3.6	6,344.7
High risk	3,859.1	798.1	643.0	5,300.2	3,410.8	836.7	539.1	4,786.6
Ungraded	2,464.8	42.3	23.0	2,530.1	2,463.6	36.5	23.0	2,523.1
Gross carrying amount	14,017.2	1,265.8	669.1	15,952.1	13,585.4	1,253.5	569.2	15,408.1

(1) Stage 3 includes 'POCI' (purchased or originated credit-impaired) loans with a gross carrying amount of £29.3 million, of which £27.0 million is high risk, £nil million medium risk, £nil million low risk and £2.3 million ungraded (31 December 2024: £29.0 million; £21.7 million high risk, £0.4 million medium risk, £2.9 million low risk and £4.0 million ungraded). The associated loss allowance is £4.4 million (31 December 2024: £4.8 million).

Loan commitments	30 June 2025 (Unaudited)				31 December 2024 (Audited)			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Low risk	875.0	–	1.0	876.0	764.6	–	1.0	765.6
Medium risk	297.0	3.6	0.8	301.4	346.9	–	0.1	347.0
High risk	244.5	34.3	27.0	305.8	232.2	54.2	15.4	301.8
Total amount committed	1,416.5	37.9	28.8	1,483.2	1,343.7	54.2	16.5	1,414.4

Concentrations of credit risk

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 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 0.1% of total loans (31 December 2024: 0.2% of total loans).

As at 30 June 2025 (Unaudited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
East Anglia	195.4	109.9	39.6	153.1	498.0
East Midlands	435.9	165.9	67.5	273.4	942.7
Greater London	2,598.5	932.1	143.4	1,116.0	4,790.0
Guernsey/Jersey/Isle of Man	6.6	16.3	–	–	22.9
North East	139.3	29.5	45.9	121.4	336.1
North West	768.6	460.9	122.0	460.4	1,811.9
Northern Ireland	12.5	–	2.7	0.7	15.9
Scotland	331.5	42.1	75.8	288.5	737.9
South East	1,333.5	564.7	190.4	958.6	3,047.2
South West	414.4	438.0	64.0	259.9	1,176.3
Wales	160.9	90.1	45.8	133.1	429.9
West Midlands	462.5	216.5	96.9	325.5	1,101.4
Yorkshire/Humberside	321.1	195.4	79.4	276.9	872.8
Carrying amount⁽¹⁾	7,180.7	3,261.4	973.4	4,367.5	15,783.0

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
As at 31 December 2024 (Audited)					
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⁽¹⁾	6,832.0	3,082.9	881.7	4,452.1	15,248.7

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

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 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 1.7% of total loans (31 December 2024: 1.5% of total loans) and 62.0% of total loans have a carrying amount of less than £1.0 million (31 December 2024: 63.2% of total loans).

As at 30 June 2025 (Unaudited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
0 – £50k	97.5	35.6	710.0	49.0	892.1
£50k – £100k	290.9	62.4	115.7	457.8	926.8
£100k – £250k	1,071.9	113.7	122.4	2,036.9	3,344.9
£250k – £500k	1,476.7	107.7	20.1	1,404.5	3,009.0
£500k – £1.0 million	1,083.1	170.5	3.2	353.3	1,610.1
£1.0 million – £2.5 million	1,420.7	458.5	2.0	60.6	1,941.8
£2.5 million – £5.0 million	679.0	483.8	–	5.4	1,168.2
£5.0 million – £10.0 million	458.3	535.0	–	–	993.3
£10.0 million – £25.0 million	486.8	1,142.6	–	–	1,629.4
> £25.0 million	115.8	151.6	–	–	267.4
Carrying amount⁽¹⁾	7,180.7	3,261.4	973.4	4,367.5	15,783.0

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

As at 31 December 2024 (Audited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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	1,595.1
£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⁽¹⁾	6,832.0	3,082.9	881.7	4,452.1	15,248.7

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

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 and industry. The industry segmentation of the Group's loans and advances to customers remains focused on mortgages and real estate activities, which represents 71.4% of total loans (31 December 2024: 72.2% of total loans). Exposure to motor finance is captured within other personal exposure.

As at 30 June 2025 (Unaudited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £m	
Agriculture, forestry and fishing	0.4	3.1	0.4	–	3.9
Manufacturing	7.9	150.5	4.5	–	162.9
Transport, storage and utilities	14.2	429.3	9.6	–	453.1
Construction	624.6	648.4	12.5	–	1,285.5
Wholesale and retail trade	15.3	218.3	16.2	–	249.8
Real estate activities	4,819.0	722.0	27.6	1,295.1	6,863.7
Financial and insurance activities	47.1	758.4	2.8	–	808.3
Services and other	131.7	323.4	14.5	1.0	470.6
Personal:					
Mortgages	1,326.1	–	–	3,071.4	4,397.5
Other	194.4	8.0	885.3	–	1,087.7
Carrying amount⁽¹⁾	7,180.7	3,261.4	973.4	4,367.5	15,783.0

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

As at 31 December 2024 (Audited)	Commercial		Retail		Total £m
	Real Estate £m	SME £m	Consumer Finance £m	Retail Mortgage Brands £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⁽¹⁾	6,832.0	3,082.9	881.7	4,452.1	15,248.7

(1) Excludes fair value adjustments for hedged risk recognised on loans and advances to customers.

Forbearance

The Group maintains a forbearance policy for the servicing and management of customers that are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Group. The Group's forbearance policy is outlined in the Group's 2024 Annual Report and Accounts starting on page 130 and is unchanged in the current period. The Group has a full suite of forbearance options available and these have remained the same in the period to 30 June 2025.

The following table provides a summary of the Group's forborne loans and advances to customers by lending segment and period-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).

As at 30 June 2025 (Unaudited)	Number	Gross amount of forborne loans			Loss allowance on forborne loans			Coverage %
		Performing £m	Non- performing £m	Total £m	Performing £m	Non- performing £m	Total £m	
Real Estate								
Stage 2	94	4.9	3.7	8.6	–	(0.1)	(0.1)	1.2
Stage 3	423	–	40.2	40.2	–	(3.8)	(3.8)	9.5
Real Estate total	517	4.9	43.9	48.8	–	(3.9)	(3.9)	8.0
SME								
Stage 2	23	87.7	–	87.7	(3.6)	–	(3.6)	4.1
Stage 3	96	–	63.5	63.5	–	(12.6)	(12.6)	19.8
SME total	119	87.7	63.5	151.2	(3.6)	(12.6)	(16.2)	10.7
Consumer Finance								
Stage 2	359	0.5	2.1	2.6	(0.1)	(0.5)	(0.6)	23.1
Stage 3	609	–	2.2	2.2	–	(1.7)	(1.7)	77.3
Consumer Finance total	968	0.5	4.3	4.8	(0.1)	(2.2)	(2.3)	47.9
Retail Mortgage Brands								
Stage 2	151	12.9	11.6	24.5	–	(0.1)	(0.1)	0.4
Stage 3	626	–	120.3	120.3	–	(4.7)	(4.7)	3.9
Retail Mortgage Brands total	777	12.9	131.9	144.8	–	(4.8)	(4.8)	3.3
Total								
Stage 2	627	106.0	17.4	123.4	(3.7)	(0.7)	(4.4)	3.6
Stage 3	1,754	–	226.2	226.2	–	(22.8)	(22.8)	10.1
Total	2,381	106.0	243.6	349.6	(3.7)	(23.)	(27.2)	7.8

As at 31 December 2024 (Audited)	Gross amount of forborne loans				Loss allowance on forborne loans			Coverage %
	Number	Performing £m	Non- performing £m	Total £m	Performing £m	Non- performing £m	Total £m	
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

Principal risks: Market, liquidity and capital risk

Market risk

During the period, there have been no significant changes or developments in relation to market risk and its management.

Liquidity risk

During the period, the Prudential Regulation Authority (PRA) interviewed key stakeholders including Board members as part of the Liquidity SREP (Supervisory Review and Evaluation Process), the result of which was positive and provided assurance around the Liquidity adequacy of the Group.

The following section provides updates regarding key metrics that are used by the Group in assessing and monitoring liquidity risk.

Metrics used in assessing and monitoring liquidity

Liquidity buffer

The Group maintains a liquidity buffer of high quality liquid assets, as defined by the European Banking Authority's (EBA) 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).

Capital risk

Capital risk is the risk that the Group has insufficient quantity and quality of capital to cover regulatory requirements and/or to support its own growth plans. 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. 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.

The following section provides relevant updates for the six months ended 30 June 2025.

Managing capital risk

Management of capital risk is described on page 139 of the Group's 2024 Annual Report and Accounts. This sets out the Group's methods and key objectives for managing capital risk and how the Group is supervised by its regulators. There have been no changes to note in the management of capital risk in the six months ended 30 June 2025.

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.

Minimum requirements set out by the regulatory framework are unchanged compared to 31 December 2024 and are summarised in the following table:

Minimum capital requirements	Common Equity Tier 1	Total capital
Pillar 1	4.50%	8.00%
Pillar 2A	0.70%	1.24%
Total Capital Requirement	5.20%	9.24%
Regulatory capital buffers		
Capital conservation buffer	2.50%	2.50%
Countercyclical capital buffer	2.00%	2.00%
Overall Capital Requirement	9.70%	13.74%

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 2024 at 3.25% of Tier 1 Capital. 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 (CP 2/25 proposal to increase this to £70 billion), 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.

Regulatory developments

During the six months ended 30 June 2025, there have been no regulatory changes that have come into effect that impact the Group's minimum capital 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 U.S. The Group is in the process of transitioning to Basel 3.1 and considers this impact in its' capital plan.

IFRS 9 transitional arrangements

The Group elected to use a transitional approach when recognising the impact of adopting IFRS 9 'Financial Instruments'. The transitional approach involves phasing in the full impact using transitional factors published in Regulation (EU) 2017/2395. This permits the entities to add back to their capital base a proportion of the impact that IFRS 9 has upon their loss allowances for non-credit impaired loans during the first five years of implementation. This add back is referred to throughout this document as the 'transitional adjustment for IFRS 9'. From 1 January 2023, the initial five-year phasing in period was 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, the E.U. reviewed the transitional arrangements and reached agreement to reset the proportions for relevant ECLs raised from 1 January 2020 through to 2024, as set out in the CRR 'Quick Fix', a change that was accepted by the PRA. As a result, for non-credit impaired ECLs raised from 1 January 2020, the revised add-back percentage was 25% in 2024, decreasing to 0% in 2025. The cessation of IFRS 9 transitional adjustments became effective from as of 1 January 2025.

Capital risk disclosures

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.

Regulatory capital

Composition of the Group's regulatory capital is as follows:

	30 June 2025 (Unaudited) £m	31 December 2024 (Audited) £m
Share capital	2.5	2.5
Share premium account	87.3	87.3
Capital contribution reserve	19.9	19.9
Retained earnings	1,420.7	1,307.2
Intangible assets	(126.6)	(124.0)
Transitional adjustment for IFRS 9	–	10.4
Prudent valuation adjustment	(3.7)	(3.6)
Securitisation position which alternatively be subject to 1,250.0% risk weight	(7.5)	(6.6)
Common Equity Tier 1 capital	1,392.6	1,293.1
Capital securities	123.1	123.1
Additional Tier 1 capital	123.1	123.1
Total Tier 1 capital	1,515.7	1,416.2
Subordinated debt liability	164.4	163.6
Tier 2 capital	164.4	163.6
Total regulatory capital	1,680.1	1,579.8

PART X

RISK MANAGEMENT

1. Overview

As a specialist bank, the Group is exposed to a number of inherent risks. The Group recognises that the effective management of these risks is key to the execution of the Group's strategy, and has therefore developed a robust and forward-looking approach to risk management which aims to protect its interests and the interests of its customers, shareholders and other key stakeholders while enabling the Group to deliver strong risk-adjusted returns.

The Group's approach to risk management has five key elements:

- a clearly-defined, three-year rolling risk-enabled strategy, developed by the Board;
- an agile risk appetite which is able to respond to the Group's commercial objectives, its operating environment and its risk outlook;
- a dynamic risk management framework which has been refined over many years and is underpinned by a "Three Lines of Defence" model;
- a robust risk management governance structure; and
- a culture of embedded proactive risk management, driven by an experienced risk management team.

2. Risk strategy and risk appetite statement

The Board approves the Group's strategy with a view to ensuring that the key risks to which the Group is or may be exposed are understood and properly managed. The risk strategy is embedded in the Group's overall 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 Group's customer franchises and central functions.

The risk strategy sets out the Group's strategic risk management objectives that will support the achievement of the Group's commercial goals and sets out which risks are to be acquired or incurred and how they will be managed. The Group's strategic risk management objectives are currently as follows:

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

The Group has adopted an agile risk appetite statement (“**RAS**”) which is reviewed periodically by the Risk Committee and agreed with the Board annually, or more frequently if required, which allows the RAS to evolve to support the Group’s commercial objectives, its operating environment and its risk outlook. The RAS sets out the level of risk that the Group is willing to tolerate in operating the various elements of its business and articulates qualitative and quantitative measures of risk that are cascaded across various areas of the Group’s operations. A digital dashboard with the status of each metric is monitored monthly by the Executive Risk Committee, its sub-committees and the Assets and Liabilities Sub-Committee.

3. Risk management framework

To achieve its strategic objectives within the limits set by the RAS, the Group employs a single, comprehensive risk management framework (“**RMF**”) to identify, measure, manage, monitor, report on and control the key risks to which the Group is exposed. All of the Group’s business and support service activities, including those activities which are outsourced to third-party providers and business which is originated via brokers or other intermediaries, are managed within the parameters of the Group’s RMF.

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. Such policies and standards are overseen by the Group’s risk function (which is led by the Chief Risk Officer) and are approved by the Board or the appropriate risk oversight committee. Group-level policies and standards are supplemented, as required, by customer franchise-specific policies, guides, processes and procedures, which are tailored to the needs of the relevant customer franchise. All customer franchise-specific processes and procedures are required to comply with Group-level policies, and dispensations or waivers are required where gaps are identified. The Group’s framework of policies and procedures provide employees at all levels with day-to-day direction and guidance in the execution of their duties.

The effectiveness of, and compliance with, the Group’s risk policies and procedures is reported internally and evaluated on an ongoing basis. In addition, 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 Group’s “Three Lines of Defence”.

4. Risk governance

All of the Group’s risk management 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 individual employees. In particular, the RMF is underpinned by a “Three Lines of Defence” risk management model adopted by the Group. Each line of defence plays a distinct role in the cumulative risk governance policy and is responsible for the areas of risk management that are outlined below.

4.1 First Line of Defence

The First Line of Defence is primarily responsible for identifying and managing risks arising in the Group’s customer-facing business franchises and certain central functions. Such central functions include: (i) finance; (ii) technology; (iii) human resources and marketing; and (iv) legal. These support functions are included in the First Line of Defence as they support the customer-facing franchises and share in many operational functions that could ultimately impact the Group’s exposure to market, liquidity, credit, conduct, compliance and operational risks.

Each of the Group’s franchise and support functions establishes policies and controls to ensure that its respective activities remain within the RAS applicable to that area of the Group. Such policies and controls are approved and reviewed on an annual basis by the authorised risk committee in accordance with their terms of reference, with any material changes requiring committee approval.

The First Line of Defence employs its own operational procedures and controls to demonstrate its adherence to the Group's approved policies and controls pursuant to the RMF. It also develops quality of control programmes to monitor and measure adherence to, and the effectiveness of, such procedures and controls. All employees within a customer-facing business unit fall within the First Line of Defence. Division heads are responsible for ensuring that there is a "risk aware" culture within the First Line of Defence and regular training is delivered to such employees in respect of certain key risk-related policies. Each customer franchise has risk teams which sit within the First Line of Defence, headed by its own risk director who reports to the Chief Banking Officer for the respective franchise (with an indirect reporting line into the Chief Risk Officer).

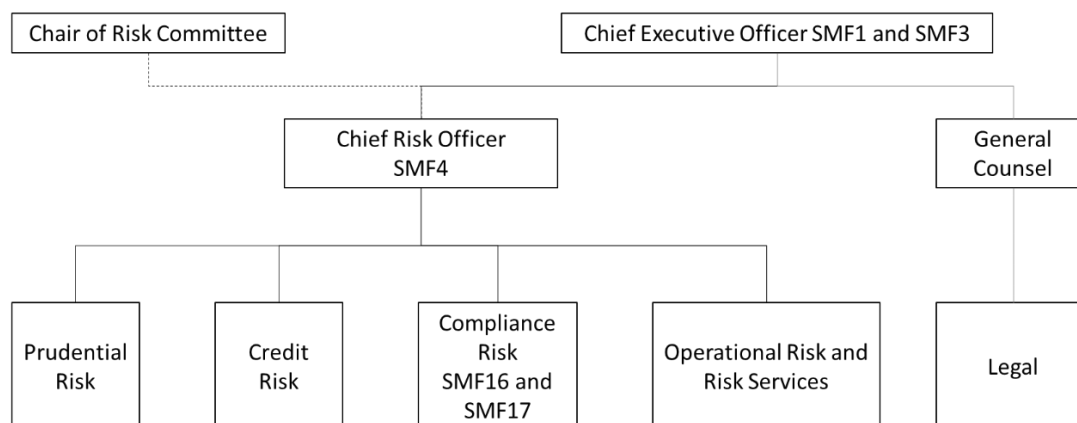
4.2 Second Line of Defence

The Second Line of Defence comprises the Group's independent risk function. It provides independent oversight and control of, and advice to, the First Line of Defence and monitors the risk profile of the Group. The Second Line of Defence is necessarily and deliberately not customer-facing and has no responsibility for business targets or commercial performance.

In particular, the Second Line of Defence is responsible for designing and building various components of the RMF and is responsible for embedding them, together with Group's risk strategy and RAS, across the Group. It also independently monitors the Group's activities against the Group's risk appetite and limits, issues and maintains the Group's suite of risk policies and associated standards (including with respect to outsourced services), undertakes stress testing to assess the Group's risk exposures and its contingency arrangements and undertakes physical reviews of risk management, controls and capability in the First Line of Defence. It provides related reports to the Group's Executive Risk Committee, the Board Risk Committee and the Board on all aspects of risk performance and compliance with the RMF.

The Second Line of Defence is led by the Chief Risk Officer, who has direct access to the Chair of the Board and reports to the Chief Executive Officer and laterally to the Chair of the Group's Risk Committee. The Second Line of Defence also includes the General Counsel, who reports to the Chief Executive Officer.

The risk function organisational structure is presented below:



4.3 Third Line of Defence

The Third Line of Defence comprises the Group's internal audit function, led by the Group's Chief Internal Auditor.

The Third Line of Defence provides independent assurance on the activities of the Group directly to the Board and the Group's Audit Committee, including with respect to governance, the effectiveness of the RMF and the Group's internal controls. The Third Line of Defence reports directly to the Chair of the Audit Committee, as well as the CEO, and is independent of the First Line of Defence and Second Line of Defence.

The Third Line of Defence has access to the activities and records of both the First Line of Defence and the Second Line of Defence and is empowered to review: (i) the First Line of Defence for adherence to the policies and controls established under the RMF; and (ii) the Second Line of Defence for the performance of its monitoring and policy-setting functions.

As such, the Third Line of Defence does not independently establish policies or controls itself, outside of those necessary to implement its recommendations with respect to the other two Lines of Defence. The Third Line of Defence's scope of work is agreed with the Audit Committee and is designed to provide an independent assessment of the governance, risk management and 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 review of the operation of the Second Line of Defence.

5. Risk management 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 experience underpins the Group's risk-related principles, whereby the customer is at the heart of the decision-making process and customer franchises are held fully accountable for risk performance.

At the employee level, risk management is expressly built into job descriptions and inductions. It is also reflected in the design of individual objectives and performance reviews, which are ultimately reflected in compensation and reward structures. The Group conducts regular surveys across all of its employees, to help identify any emerging risks and promote ongoing engagement.

6. ICAAP, ILAAP and stress testing

The Group undertakes an ILAAP Process and an ICAAP Process at least annually and more often in the event of a material change in the Group's business, capital or liquidity.

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.

The ILAAP process is closely aligned with the ICAAP process but specifically focussed on liquidity and funding risks. This includes a thorough evaluation of how the Group's liquidity and funding requirements could be impacted by market-wide, idiosyncratic, and combined scenarios. The purpose of the process is to establish the quantity and quality of liquidity resources that the business should maintain, to ensure that it can meet its financial obligations as they come due and at an acceptable cost.

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 conducted via the ICAAP and ILAAP processes 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. 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 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 conducted by the Group have historically 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.

7. Established, agile and scalable risk platform

The Group operates an established, agile and scalable risk platform designed to support its continued growth and maintain a low cost of risk. This is powered by proprietary technology, data and knowledge, modular third-party data sources and an ecosystem of always-on early warning indicators.

The Group's proprietary risk management technologies include its risk models, which enable the Group to evaluate and price counterparty risk, stress testing models which enable it to stress test its loan portfolio on a top-down and bottom-up basis at the customer level, extensive dashboards which combine internal reporting with external credit and valuation data to enhance real-time risk monitoring and oversight capabilities, and the Group's proprietary Lending Hub platform. Key third party technologies which support effective risk management include AuditBoard, Amazon Connect, nCino, Onetrust, Aryza and Finova.

The Group leverages data-centred decision-making as the cornerstone to its approach to risk management. For example, in the Group's SME proposition, the Group's Vision platform enables it to monitor the portfolio at a macro level, supports new business origination through credit checking of prospective new clients and at the customer level provides extensive, always-on monitoring of early warning indicators against tailored rulesets to monitor changing customer trends and behaviours. The Vision platform has enabled the Group to identify potential customer credit issues earlier and with a higher degree of accuracy when compared with more traditional methods, enabling the Group to take proactive action. The Group deploys similar tools across its Retail franchise.

8. Principal risks

The principal risk factors in relation to the Group's business and the industry in which the Group operates are described in Part I (*Risk Factors*) of this Registration Document.

PART XI

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors, whose names appear in Part III (*Directors, Registered Office and Advisers*) of this Registration Document, and the Company accept responsibility for the information contained in this Registration Document. To the best of the knowledge of the Directors and the Company, the information contained in this Registration Document is in accordance with the facts and this Registration Document contains no omission likely to affect its import.

2. Incorporation and activity of the Company

The Company was incorporated under the Companies Act 2006 and registered in England and Wales with registered number 07240248 on 30 April 2010, under the name Laidlaw Acquisitions Limited. The Legal Entity Identifier (LEI) number of the Company is 21380071539WSMTM4410.

On 11 March 2015, the Company changed its name to Shawbrook Group Limited. On 24 March 2015, the Company re-registered as a public limited company named Shawbrook Group plc. On 8 April 2015, the Group completed an IPO and was listed on the London Stock Exchange. On 24 August 2017, the listing of the Company's ordinary shares on the London Stock Exchange was cancelled following the acquisition of the Company by Marlin (a company owned jointly by funds managed and/or advised by Pollen Street Capital Limited and funds advised by BC Partners LLP).

The principal activity of the Company is to act as the ultimate holding company of the Group. The principal legislation under which the Company operates is the Companies Act 2006 and regulations made thereunder.

The registered office of the Company is Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE. The telephone number of the Company's registered office is 01277 751 110. The Company's website is available at <https://www.shawbrook.co.uk/>. For the avoidance of doubt, information contained on the Company's website is not incorporated into, and does not form part of, this Registration Document.

3. Share capital of the Company

3.1 Issued share capital of the Company

The issued share capital of the Company as at the date of this Registration Document comprises 253,086,879 fully paid ordinary Shares of £0.01 each, with an aggregate nominal value of £2,530,868.79.

3.2 History of the share capital

There have not been any changes in the share capital of the Company in the period from 1 January 2022 to 30 June 2025 inclusive.

The Company does not hold any shares in treasury.

4. Interests of major shareholders

As at the date of this Registration Document and insofar as it is known to the Company, the following persons are directly or indirectly interested in three per cent. or more of the voting rights of the Company. These persons do not have different voting rights. Other than as described below, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

Major Shareholder ⁽¹⁾⁽²⁾	Number of Shares	Percentage of voting rights ⁽³⁾	Nature of interest
Marlin Bidco Limited.....	253,086,879	100	Direct
PSCM Pooling LP.....	-	50	Indirect
Marlinbass Ltd.....	-	50	Indirect

- (1) As at the date of this Registration Document, the Company is a wholly-owned subsidiary of Marlin. PSCM Pooling LP and Marlinbass Ltd, which are owned by funds managed and/or advised by Pollen Street Capital Limited and funds advised by BC Partners, respectively, each own 50 per cent. of the voting shares in Marlin.
- (2) As is more particularly described in section 15.3 below, the Company has entered into a framework agreement with Marlin which, among other things, ensures that the independent judgement of the Board is not impacted and that the Board retains oversight of the business in respect of strategy, performance, risk appetite and assessment of the Company's control framework and governance arrangements, in each case notwithstanding the control exercised by Pollen Street Capital and BC Partners.
- (3) For completeness, Marlin Bidco Limited has certain other shareholders, including past and current employees of the Group and certain previous holders of shares in TML and BML who acquired shares in Marlin Bidco Limited in connection with the Group's acquisitions of TML and BML, respectively. Such shareholders hold non-voting shares only in Marlin and are therefore not listed in this table.

Save as disclosed above, the Company is not aware of any holdings of voting rights (within the meaning of Chapter 5 of the Disclosure and Transparency Rules) which represent 3 per cent. or more of the total voting rights in respect of the issued share capital of the Company.

5. Dividends

Following the de-listing of the Company's ordinary shares from the London Stock Exchange on 24 August 2017, the Company adopted a policy of not paying dividends until further notice. The Directors did not recommend a final dividend in respect of the year ended 31 December 2024 (2023: £nil; 2022: £nil).

The Company has a dividend distribution policy (the “**Dividend Policy**”) which sets out the internal process for proposing, considering and, if thought fit, approving dividends on the Company's Shares. The Dividend Policy requires dividends to be proposed by the Company's CFO, in conjunction with its Head of Financial Control, Head of FP&A and Head of Treasury. Such proposals must be reviewed by the Company's Head of Regulatory Reporting and Chief Prudential Risk Officer to confirm that paying the proposed dividend would comply with restrictions on the Company's ability to pay dividends arising under prudential regulation, the Companies Act 2006, the Articles and the Framework Agreement. Subject to the satisfaction of the foregoing, any dividend proposal must be recommended by the Chief Financial Officer to the Audit Committee and in turn, where appropriate, recommended by the Audit Committee to the Board for approval in accordance with the Articles. Further information on the provisions of the Articles that govern the declaration and payment of dividends by the Company is set out at section 6.9 of this Part XI.

Under the terms of the Framework Agreement, the declaration and payment of any dividends or of any other distributions by the Company is a reserved matter, requiring the prior written approval of either: (i) Marlin; or (ii) Lindsey McMurray and Cédric Dubourdieu (or any of their respective successors), in their respective capacities as director appointees of Marlin. Any exceptions to the Dividend Policy may only be approved by the Board and Marlin.

Should the Company complete an initial public offering of its Shares, it is expected that, subject to applicable law and provided such payments are justified by the Company's financial position and prospects at all relevant times, the Company would pay a maiden dividend in FY 2026 with the intention that this would build progressively over time.

6. Summary of Articles of Association

The Articles, which were adopted on 15 September 2017, contain (amongst others) provisions to the following effect.

6.1 Limited liability

The liability of the Shareholders is limited to the amount, if any, unpaid on the Shares held by them.

6.2 Change of name

The Articles allow the Company to change its name by decision of the directors.

6.3 Share rights

Subject to any rights attached to existing Shares, Shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or if no such shareholder resolution has been passed, or so far as the resolution does not make specific provision, as the Board may decide.

6.4 Share certificates

Every Shareholder, upon becoming the holder of any Shares, is entitled, without payment, to one certificate for all the Shares of each class held by him or her. In the case of a certificated share held jointly by several persons, the Company shall not be bound to issue more than one certificate; delivery of a certificate to one holder shall be sufficient delivery to all. A Shareholder who transfers some but not all of the shares comprised in a certificate shall be entitled to a certificate for the balance without charge, to the extent the balance is held in certificated form.

Every share certificate shall be executed under a seal or in such other manner as the Board, having regard to the terms of issue and any listing requirements, may authorise.

6.5 Liens over Shares

The Company has a first and paramount lien over every Share which is not fully paid for all amounts payable to the Company (whether presently or not) in respect of the Share. The Company's lien shall extend to every amount payable in respect of the Share. The Board may at any time waive any lien that has arisen or declare any share to be wholly or in part exempt from the relevant article.

The Company may sell, in such manner as the Board may decide, any Share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been given to the holder of the Share or to the person entitled to it, demanding payment and stating that if the notice is not complied with, the Share may be sold.

6.6 Calls on Shares and forfeiture

Subject to the terms of issue, the Board may make calls upon the Shareholders in respect of any moneys unpaid on their Shares and not payable on a date fixed by or in accordance with the terms of issue. Each Shareholder shall, subject to the Company serving at least 14 clear days' notice, pay to the company the amount called on their Shares. A call may be payable in instalments. A call may be revoked or postponed, in whole or in part, as the Board may decide.

A person upon whom a call is made remains liable jointly and severally with the successors in title to their Shares for all calls made, notwithstanding the subsequent transfer of the Shares in respect of which the call was made. The joint holders of a Share are jointly and severally liable to pay all calls in respect of that Share.

If a call remains unpaid after it has become due and payable, the Shareholder shall pay interest on the amount unpaid from the day it is due and payable to the time of actual payment at such rate (not exceeding the Bank Rate by more than five per cent.) as the Board may decide.

If a call or instalment of a call remains unpaid after it has become due and payable, the Board may send a notice requiring payment, together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall name a further day, not being less than 14 clear days from the date of the notice, on or before which the payment is to be made and shall state that, in the event of non-payment, the shares in respect of which the call has been made or instalment is payable will be liable to be forfeited. If the notice is not complied with, any Share in respect of which the notice was given may be forfeited by a resolution of the Board and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited Shares and not paid before the forfeiture. A forfeited Share may be sold or otherwise disposed of as the Board shall decide.

6.7 Voting rights

Subject to any special terms as to voting upon which any shares may be issued, Shareholders are entitled to receive notice of, attend and vote at a general meeting or class meeting whether on a show of hands or a poll. A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is demanded. The Companies Act 2006 provides that:

- on a show of hands every Shareholder present in person has one vote and every proxy present who has been duly appointed by one or more Shareholders has one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one Shareholder and the proxy has been instructed by one or more Shareholders to vote for and by one or more other Shareholders to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant Shareholder to vote in the way that the proxy decides to exercise that discretion; and
- on a poll every Shareholder has one vote per Share held by them and they may vote in person or by one or more proxies. Where a Shareholder appoints more than one proxy, the proxies appointed by them taken together shall not have more extensive voting rights than they could exercise in person.

This is subject to any rights or restrictions which are given to any Shares or on which Shares are held.

6.8 Restrictions

No Shareholder shall, unless the Board otherwise decides, be entitled to attend or vote at any general meeting in respect of any Share held by them, or vote on a poll or exercise any other right in relation to a general meeting or a poll unless all calls or other sums payable to the Company in respect of that Share have been paid.

6.9 Dividends and other distributions

The Company may by ordinary resolution declare dividends in accordance with the respective rights of Shareholders. No dividend shall exceed the amount recommended by the Board.

The directors may decide to pay interim dividends if it appears to them that they are justified by the financial position of the Company and may pay any dividend payable at a fixed rate at intervals settled by the Board whenever the financial position of the company, in the opinion of the Board, justifies its payment. Provided the Directors act in good faith, they will not incur any liability to the Shareholders for any loss they may suffer in consequence of the payment of an interim or fixed dividend on Shares ranking *pari passu* with or after those Shares.

Except as otherwise provided by the rights attached to the Shares, all dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, but no amount paid up on a Share in advance of calls shall be treated as paid up on the Share. All dividends shall be apportioned and paid pro rata according to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid.

6.10 Variation of rights

Subject to the Companies Act 2006, rights attached to any class of Shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued Shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those Shares.

6.11 Transfer of Shares

Any Shareholder may transfer their uncertificated Shares by means of a relevant system in such manner provided for and subject to the uncertificated securities rules. Any Shareholder may transfer their certificated Shares by means of an instrument of transfer in any usual form or any other form approved by the Board.

The Directors may refuse to register a transfer of a Share which is not a fully paid Share. Registration of transfer of an uncertificated Share may be refused in the circumstances set out in the uncertificated securities rules and where the Share is to be transferred to in excess of four joint holders. The Board may decline to register any transfer of a certificated share unless (i) the instrument of transfer is duly stamped or shown to be exempt from stamp duty and left at the office accompanied by the certificate and such other evidence as the Board may reasonably require to show the right to make the transfer; (ii) the instrument of transfer is in respect of only one class of Share; and (iii) in the case of transfer to joint holders, the number of joint holders does not exceed four.

6.12 Alteration of share capital

Any resolution authorising the Company to sub-divide its Shares may determine that, as between the Shares resulting from the sub-division, any of them may have any preference, advantage or deferred or other right or be subject to any restriction as compared with the others.

The Board may deal with fractions of a share as it thinks fit, including by aggregating and selling them or by dealing with them in some other way.

6.13 General meetings

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meetings. All general meetings must be called on at least 14 clear days' notice, unless it is an annual general meeting which must be called on at least 21 clear days' notice, but a general meeting may be called by shorter notice if it is so agreed by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority who together hold not less than 95 per cent. in nominal value of the Shares giving that right to attend and vote (excluding any Shares held in treasury). Notice of a general meeting must be sent to every Shareholder and to all persons entitled to a Share in consequence of the death or bankruptcy of a Shareholder. It must specify the time and place of the meeting and the general nature of the business to be dealt with.

The Directors may call general meetings and, on the requisition of Shareholders pursuant to the provisions of the Companies Act 2006, are required to proceed forthwith to convene a general meeting in accordance with the provisions of the Companies Act 2006 but in any event for a date not later than 28 days after the date of the notice convening the meeting.

No business is to be transacted at any general meeting unless a quorum is present when the meeting proceeds to business (this excludes the appointment of the Non-Executive Chairman). Save as otherwise provided in the Articles, two members present (in person or by proxy) and entitled to vote shall be a quorum.

Each director is entitled to attend and speak at any general meeting.

6.14 Directors

6.14.1 Number of directors

Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be less than two nor more than 12.

6.14.2 Appointment and removal of directors

Subject to the Articles, the Company may by ordinary resolution elect any person who is willing to act to be a Director either to fill a vacancy or as an additional director.

Subject to the Articles, the Board may appoint any person who is willing to act to be a director either to fill a vacancy or as an additional director.

At every annual general meeting all the Directors shall retire from office and may offer themselves for re-appointment by the Shareholders. A retiring Director shall be eligible for re-election. No other person shall be appointed or re-appointed at any general meeting unless they are recommended by the Board or notice has been given to the secretary (not less than seven or more than 42 days before the meeting) of the intention to propose that person for appointment or re-appointment, together with written confirmation by that person of willingness to act.

In addition to any power of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director and may appoint another person in his place.

6.14.3 Vacation of office

The office of a Director is vacated if:

- they resign their office by notice in writing sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a meeting of the Board;
- by notice in writing sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a meeting of the Board, the Director offers to resign and the Board resolves to accept such offer;
- a notice in writing removing them as a Director is sent to or received at the office or at an address specified by the Company for the purposes of communication by electronic means or tendered at a meeting of the Board, and such notice is given by all of the other Directors and all of the other Directors are not less than three in number;
- they cease to be a Director by virtue of the Companies Act 2006 or are removed from office pursuant to the Articles;
- they become bankrupt or compound with their creditors generally;
- they are suffering from mental or physical ill health and the Board resolves that their office is vacated;

- they are absent without the permission of the Board from meetings of the Board (whether or not an alternate director appointed by him attends) for six consecutive months and the Board resolves that their office is vacated; or
- they are prohibited by law from being a Director.

6.14.4 Alternate director

Any Director may appoint as an alternate any person and may, at their discretion, remove an alternate director so appointed. If the alternate director is not already a Director, the appointment (unless previously approved by the Board), shall have effect only once approved. An alternate shall be entitled to receive notice and vote at meetings of the Board or committees of the Board at which their appointer is a member and, at any such meeting at which their appointer is not present, to exercise and discharge all the functions, powers, rights and duties of their appointer as a Director.

6.14.5 Proceedings of the Board

The quorum for Directors' meetings may be fixed by a decision of the Board, and unless so fixed the quorum is two.

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

The Board may appoint a Director to be the chairman or a deputy chairman of the Board, and may at any time remove them from that office. The chairman of the Board or failing them a deputy chairman shall act as chairman at every meeting of the Board. If no chairman or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.

6.14.6 Directors' fees and expenses

Each of the Directors shall be paid a fee at such rate as may from time to time be determined by the Board provided that the aggregate of all fees so paid to Directors (excluding amounts payable under any other provision of these Articles) shall not exceed £2 million per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Any Director who performs services which, in the opinion of the Board or any committee of the Board, go beyond the ordinary duties of a director may be paid such extra remuneration as the Board or such committee may in its discretion decide.

The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings of the Board or committees of the Board, general meetings or any other meeting which they are entitled to attend as Director and may also pay any other expenses properly incurred in the conduct of the Company's business or in discharge of their duties as a Director.

6.14.7 Directors' benefits

The Board or any committee authorised by the Board may provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner, for any Director or former director or the relations, or dependants of, or persons connected to, any Director or former director provided that no benefits may be granted to a Director or former director who has not been employed by the Group without approval by ordinary resolution.

6.14.8 Directors' interests

If a situation arises in which a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests (directly or indirectly) of the Company or would otherwise constitute a breach of duty to avoid conflicts of interest under the Companies Act 2006, the Directors (other than the conflicted Director) may resolve to authorise such situation and confirm that the existence of such situation will not give rise to a breach of duty under the Companies Act 2006. Where the Board provides the requisite authority in respect of the conflict, it may require that the Director is excluded from the receipt of information and the participation in discussions and decision-making relevant to that conflict and impose on the Director other terms for the purpose of dealing with the conflict.

6.14.9 Indemnity and insurance of Directors

To the extent permitted by the Companies Act 2006, any Director or former director of the Company or an associated company may be indemnified against any liability and the Company may purchase and maintain for any Director or former director of the Company or of any associated company insurance against any liability.

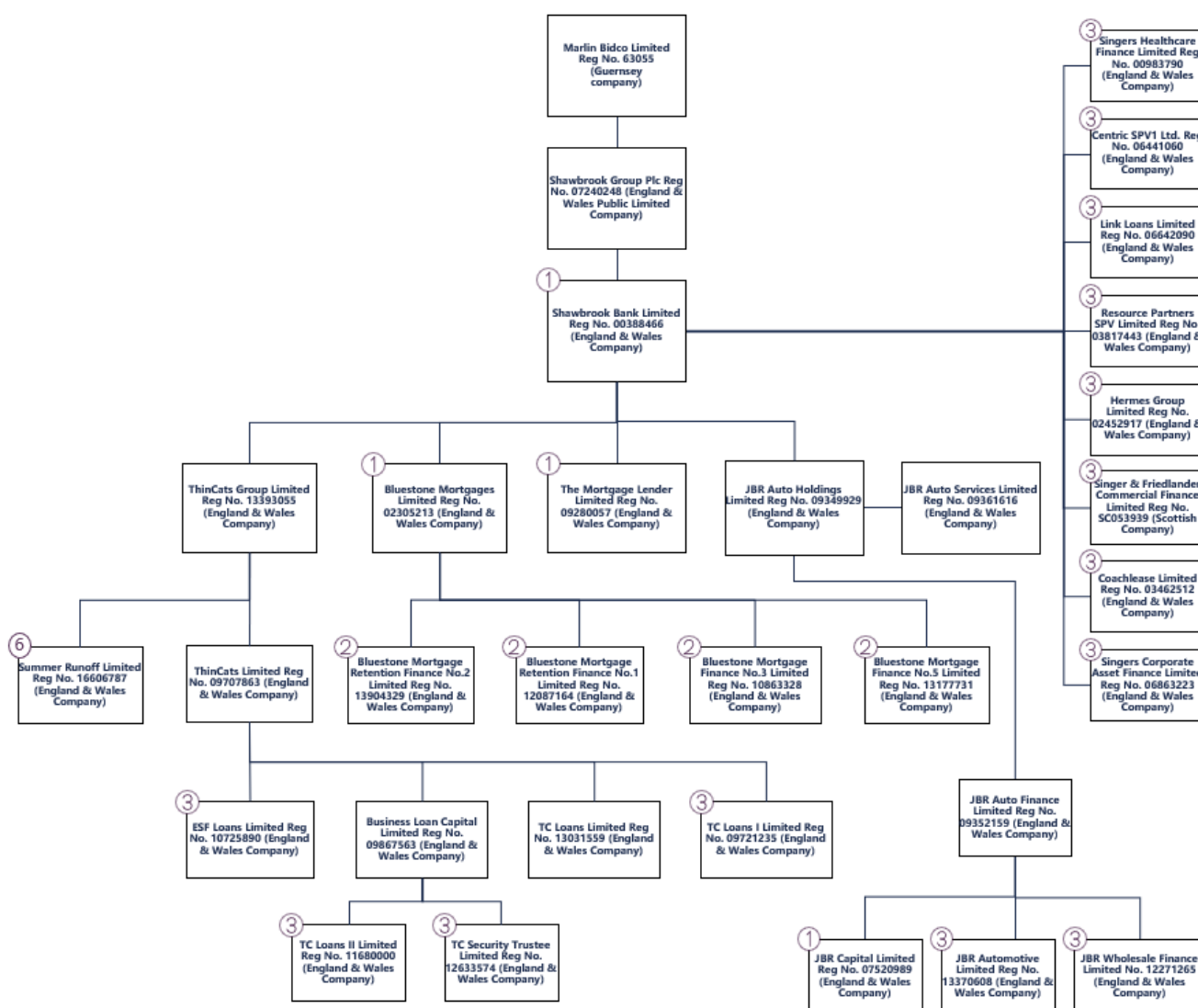
7. Organisational structure

The Company is the principal holding company of the Group. The significant subsidiaries of the Company as at the date of this Registration Document are set out in the following table. Each of the companies listed below is wholly owned by a member of the Group.

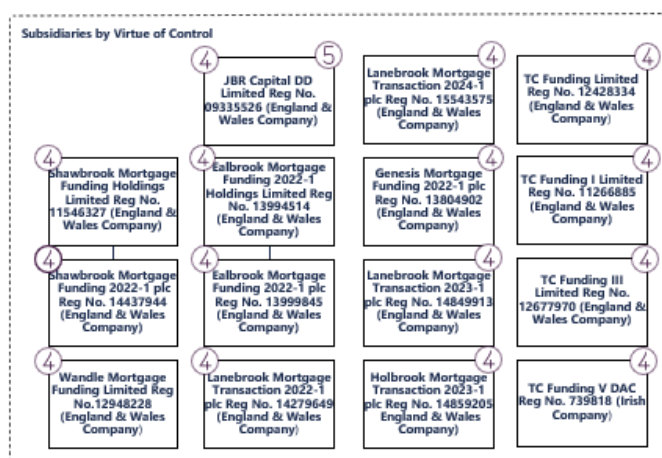
Name of subsidiary	Place of incorporation	Principal activity
Bluestone Mortgages Limited	England and Wales	Mortgage finance
Bluestone Mortgage Finance No. 3 Limited	England and Wales	Special purpose vehicle
Bluestone Mortgage Finance No. 5 Limited	England and Wales	Special purpose vehicle
Bluestone Mortgage Retention Finance No. 1 Limited	England and Wales	Risk retention holder
Bluestone Mortgage Retention Finance No. 2 Limited	England and Wales	Risk retention holder
Business Loan Capital Limited	England and Wales	Origination agent
Centric SPV1 Ltd	England and Wales	Dormant company
Coachlease Limited	England and Wales	Dormant company
ESF Loans Limited	England and Wales	Dormant company
Hermes Group Limited	England and Wales	Dormant company
JBR Auto Holdings Limited	England and Wales	Motor finance
JBR Auto Finance Limited	England and Wales	Holding company
JBR Automotive Limited	England and Wales	Dormant company
JBR Capital Limited	England and Wales	Motor finance
JBR Wholesale Finance Limited	England and Wales	Dormant company
JBR Auto Services Limited	England and Wales	Administrative services
Link Loans Limited	England and Wales	Dormant company
Resource Partners SPV Limited	England and Wales	Dormant company
Shawbrook Bank Limited	England and Wales	Banking
Singer & Friedlander Commercial Finance Limited	Scotland	Dormant company
Singers Corporate Asset Finance Limited	England and Wales	Dormant company
Singers Healthcare Finance Limited	England and Wales	Dormant company
Summer Runoff Limited ⁽²⁾	England and Wales	Special purpose vehicle
TC Loans Limited	England and Wales	Loan agent, security trustee
TC Loans I Limited	England and Wales	Dormant company
TC Loans II Limited	England and Wales	Dormant company
TC Security Trustee Limited	England and Wales	Dormant company
The Mortgage Lender Limited	England and Wales	Mortgage finance
ThinCats Limited	England and Wales	Lending platform operator
ThinCats Group Limited	England and Wales	Holding company

- (1) The table does not include securitisation vehicles which are consolidated into the Group's financial statements solely by virtue of control in accordance with IFRS. However, such entities are presented in the structure chart below for completeness.
- (2) ThinCats Group Limited has a wholly owned subsidiary, Summer Runoff Limited. A strike off application relating to Summer Runoff Limited has been submitted to the Registrar of Companies. Once struck off the Register of Companies, Summer Runoff Limited will cease to be a subsidiary of the Group.

A structure chart showing the Company and its subsidiaries, including securitisation vehicles which are consolidated into the Group's financial statements by virtue of control in accordance with IFRS, is set out below:



- (1) Regulated Entity
- (2) BML SPV
- (3) Dormant entity
- (4) Subsidiaries by Virtue of Control: These are securitisation vehicles. The Group does not own the share capital of these entities, but they are controlled by the Group from an IFRS perspective and are included in the consolidated financial statements of Shawbrook Bank Limited and Shawbrook Group plc.
- (5) JBR Capital DD Limited is in liquidation.
- (6) ThinCats Group Limited has a wholly owned subsidiary, Summer Runoff Limited. A strike off application relating to Summer Runoff Limited has been submitted to the Registrar of Companies. Once struck off the Register of Companies, Summer Runoff Limited will cease to be a subsidiary of the Group.



8. Directors and Senior Managers

8.1 Directorships and partnerships

The details of those companies and partnerships of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the five years prior to the publication of this Registration Document, other than the Company, are as follows:

<u>Name</u>	<u>Current directorships and partnerships</u>	<u>Previous directorships and partnerships</u>
<u>Directors</u>		
John Callender	Shawbrook Bank Limited	- FCE Bank Limited - Camberley Heath Limited - Inglewood Amenity Management Company Limited
Dylan Minto	- Shawbrook Bank Limited - Coachlease Limited - Hermes Group Limited - Singer and Friedlander Commercial Finance Limited - Singers Healthcare Finance Limited - Link Loans Limited - Centric SPV1 LTD - Resource Partners SPV Limited - Singers Corporate Asset Finance Limited	- Centric Group Holdings LTD (dissolved) - Shawbrook Buildings and Protection Limited (dissolved)
Lan Tu	- Shawbrook Bank Limited - Paypoint plc - WNS (Holdings) Limited - Lonsdale Road (Barnes) Management Company Limited	- Arrow Global Group Limited - Virgin Money Unit Trust Managers Limited - Kings College London Council
Janet Connor	- Shawbrook Bank Limited - Automobile Association Insurance Services Limited - Domestic and General Insurance plc	- Vanquis Bank Limited - AA NewCo Limited
Derek Weir	- Shawbrook Bank Limited - Halo Urban Regeneration Company Limited - Kerrach Limited	- Motherwell Football Club Community Trust - The Co-operative Bank p.l.c.
Andrew Didham	- Shawbrook Bank Limited - NMR Pension Trustee Ltd - IG Group Holdings PLC - IG Index Limited - IG Markets Limited - IG Trading and Investments Limited - GCP Infrastructure Investment Ltd	- N.M. Rothschild & Sons Ltd - Rothschild Employee Trustees Ltd (dissolved) - Rothschild & Co. Continuation Ltd - Charles Stanley Group PLC (now Raymond James Wealth Management Group Limited) - Charles Stanley & Co. Limited (now Raymond James Wealth Management Limited)
Cédric Dubourdieu	- Shawbrook Bank Limited - BC Partners Foundation - BC Partners LLP - Bon TopCo - Davies Group Limited - LOCH08 - Marlin BidCo Limited - Tennessee Topco Limited	- MCS & Associes - iQera Group Bidco
Marcelino Castrillo	Shawbrook Bank Limited	- Freeagent Holdings Limited - Silvermere Holdings Limited

Lindsey McMurray	• Shawbrook Bank Limited • Balearics Limited • BIDX1 Acquisitions Limited • BIDX1 Holdings Limited • BIDX1 Ireland Limited • Blue Media S.A. • Bumblebee Loans Limited • Cashflows Europe Limited • EZBOB LTD • Finsolutia Holdings Sàrl • Freedom Acquisitions Limited • Future First Alumni Limited • Honeycomb Holdings Limited • HSQ Investment Limited • Kingswood Holdings Limited • Little Venice Garden Amenity Limited • Markerstudy Group Holdings Limited • Marlin Bidco Limited • Pollen Street Capital Holdings Limited • Pollen Street Capital Limited • Pollen Street Group Limited • Pollen Street Investments Limited • Pollen Street Limited • PollenUp Limited • PSC Accelerator II (C) GP Limited • PSC Accelerator II GP Limited • PSC Accelerator Nominee II Limited • PSC Accelerator Nominee Limited • PSC Bidco Limited • PSC Credit Holdings LLP • PSC Credit Limited • PSC Digital Limited • PSC III Carry GP Limited • PSC III GP Limited • PSC Investments (Q) GP Limited • PSC Nominee 1 Limited • PSC Nominee 3 Limited • PSC Nominee 4 Limited • PSC Nominee 5 Limited • PSC Service Company Limited • PSC Shelfco Limited • PSC V Finance Limited • PSC V GP Limited • PSC3 Funding Limited • Pura Coco SL • RGB Holdings Limited • Shawbrook Bank Limited • Shawbrook Group Plc • SOF Annex Nominees Limited • SOF General Partner (Scotland) II Limited • SOF General Partner (UK) Limited • Special Opportunities Fund General Partner (Cayman) Limited • Tiger Bidco Limited • Tiger Parentco Limited • Validis Group Holdings Limited • Validis Holdings Limited • Validis UK Limited • Villon Holdings (UK) Limited	• Blomfield Road Limited • Graceartworks Limited • Honeycomb Finance Limited • Oplo Group Limited • Oplo Holdings Limited • Pollen Street Capital Services (UK) LLP • PSC Aperture Limited
Michele Turmore	• Shawbrook Bank Limited • Davies Intermediary Support Services Limited • Davies Broking Services Limited • Davies MGA Services Limited • Northern Bank Limited	• KMT Management Limited (dissolved)

Name	Current directorships and partnerships	Previous directorships and partnerships
Senior Managers		
Neil Rudge	• ThinCats Group Limited • ThinCats Limited • Business Loan Capital Limited • ESF Loans Limited • TC Loans Limited • TC Loans I Limited • TC Loans II Limited • TC Security Trustee Limited	-
Miguel Sard	• Bluestone Mortgages Limited • Bluestone Mortgage Retention Finance No. 1 Limited • Bluestone Mortgage Retention Finance No. 2 Limited • Bluestone Mortgage Finance No. 3 Limited • Bluestone Mortgage Finance No. 5 Limited • Digital Completion UK Limited • Digcom UK Holdings Limited • Finsolutia Holdings Sàrl • JBR Auto Holdings Limited • JBR Capital Limited • JBR Auto Services Limited • JBR Auto Finance Limited • The Mortgage Lender Limited	• The One Account Limited • Vizolution Limited
Daniel Rushbrook	-	-
Hugh Fitzpatrick	-	-
Arthur Leung	-	• Lokoni Limited
Debbie Griffin	-	-
Jo Grobel	-	-

8.2 Conflicts of interest

Save as set out below, there are no actual or potential conflicts of interest between the duties owed by the Directors or the Senior Managers to the Company and the private interests and/or other duties that they may also have.

8.2.1 Institutional Non-Executive Directors

Lindsey McMurray and Cédric Dubourdieu were both appointed by and represent the interests of Marlin (the Major Shareholder) and, indirectly, the interests of Pollen Street and BC Partners, respectively. Each of the Directors has a statutory duty under the Companies Act 2006 to avoid conflicts of interest with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles and, as permitted by the Companies Act 2006, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest.

8.2.2 Director and Senior Manager interests in actual and potential suppliers to the Group

Dylan Minto has a small minority investment in the share capital of Thought Machine Group Limited ("**Thought Machine**"). Shawbrook Bank and Thought Machine are a party to a master services agreement and an associated statement of work pursuant to which Thought Machine is to assist the Group to develop a new core banking platform (as is more particularly described in section 4.1.1 of Part IV (*Business Overview*)).

In addition, Lindsey McMurray and Miguel Sard are both directors of Finsolutia Holdings Sàrl, which is a potential supplier of certain credit and mortgage solutions to the Group.

8.2.3 Director subscriptions for the Group's listed debt securities

Dylan Minto has, through a regulated nominee, subscribed for: (i) 50,000 aggregate principal amount of the Company's fixed rate reset callable subordinated Tier 2 Capital Notes which were issued under the EMTN Programme (as defined below) on 4 June 2025; and (ii) £25,000 aggregate principal amount of the Company's 12.25% fixed rate reset callable subordinated Tier 2 Capital Notes which were issued under the EMTN Programme on 4 October 2023. Dylan Minto also subscribed, through a regulated nominee, for £50,000 aggregate principal amount of the Company's T2 Notes (as defined in section 15.6 of this Part XI), which notes were subsequently tendered in exchange for the notes described in (i) above.

Marcelino Castrillo has, through a regulated nominee, subscribed for: (i) £25,000 aggregate principal amount of the Company's 12.25% fixed rate reset callable subordinated Tier 2 Capital Notes issued under the EMTN Programme on 4 October 2023, which mature on 4 January 2034; and (ii) £50,000 aggregate principal amount of the Company's 9.250% fixed rate reset callable subordinated Tier 2 Capital Notes issued under the EMTN Programme on 4 June 2025, which mature on 4 September 2035.

John Callender has, through a regulated nominee, subscribed for £50,000 aggregate principal amount of the Company's 9.250% fixed rate reset callable subordinated Tier 2 Capital Notes issued under the EMTN Programme on 4 June 2025, which mature on 4 September 2035.

8.3 Directors and Senior Managers' confirmations

8.3.1 Convictions, involvement in insolvent companies, public incriminations and disqualifications

Save as set out below, as at the date of this Registration Document, no Director or Senior Manager has during the last five years:

- been convicted in relation to fraudulent offences;
- been associated with any bankruptcy, receivership, administration or liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company, save that Michele Turmore was, at the time it went into liquidation, a director of KMT Management Limited. KMT Management Limited entered voluntary liquidation on 24 February 2020. It was dissolved on 2 March 2022;
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

8.3.2 Arrangements and understandings in relation to Director appointments

No Director was selected to act in such capacity pursuant to any arrangement or understanding with any Shareholder, consumer, supplier or any other person having a business connection with the Group, save that Lindsey McMurray and Cédric Dubourdieu were both appointed by and represent Marlin pursuant to the Framework Agreement between the Company and Marlin.

8.3.3 Familial relationships between Directors and/or Senior Managers

There are no family relationships between any of the Directors and/or the Senior Managers.

8.3.4 Loans and guarantees for the benefit of Directors and Senior Managers

There are no outstanding loans or guarantees granted or provided by the Company for the benefit of any of the Directors or Senior Managers. However, Shawbrook Bank Limited has advanced loans to one Executive Director and certain Senior Managers in connection with the MIP. The relevant amount outstanding as at 31 December 2024 under any such loans advanced by Shawbrook Bank Limited is as follows:

Name of borrower	Outstanding balance as at 31 December 2024
Dylan Minto	£87,750
Hugh Fitzpatrick	£81,000
Neil Rudge	£81,000
Debbie Griffin	£60,750
Daniel Rushbrook.....	£54,000
Arthur Leung	£20,250
Jo Grobel	£13,500

8.4 Interests of Directors and Senior Managers in the share capital of the Company

As at the date of this Registration Document, no Director or Senior Manager has any direct interest in any class of share in the capital of the Company and nor does any Director or Senior Manager hold any option to acquire any shares in the capital of the Company.

However, certain Directors and Senior Managers participate in certain share-based employee incentive plans operated by Marlin, being the MIP, the EIP and the 2025 Share Plan. Pursuant to such share-based employee incentive plans, certain Directors and Senior Managers hold indirect interests in Shares by way of their holdings of certain non-voting shares, and options over non-voting shares, in the capital of Marlin. Please refer to section 10 of this Part XI for further information on the relevant share-based employee incentive plans.

The tables below provide details of the relevant Directors' and Senior Managers' interests in non-voting shares in Marlin and options over non-voting shares in Marlin.

8.4.1 Director and Senior Manager holdings of non-voting shares in Marlin

Pursuant to the MIP, the following Directors and Senior Managers hold non-voting A2 Shares and A6 Shares in Marlin representing the following percentages of Marlin's current issued share capital:

Name	Role	Percentage of Marlin's issued share capital (%)
Marcelino Castrillo.....	Director	0.22
Dylan Minto	Director	0.16
Neil Rudge	Senior Manager	0.14
Hugh Fitzpatrick	Senior Manager	0.14
Debbie Griffin	Senior Manager	0.11
Daniel Rushbrook.....	Senior Manager	0.10
Arthur Leung	Senior Manager	0.04
Jo Grobel	Senior Manager	0.02

8.4.2 Director and Senior Manager holdings of options over non-voting shares in Marlin

Pursuant to the EIP, the following Directors and Senior Managers hold nil-cost options over non-voting A2 Shares in Marlin representing the following percentages of Marlin's current issued share capital:

Name	Role	Percentage of Marlin's issued share capital (%)
Dylan Minto.....	Director	0.03
Hugh Fitzpatrick.....	Senior Manager	0.02
Debbie Griffin.....	Senior Manager	0.02
Daniel Rushbrook	Senior Manager	0.02

In addition, Marcelino Castrillo and Dylan Minto, being Directors, and Neil Rudge, Miguel Sard, Hugh Fitzpatrick, Daniel Rushbrook, Debbie Griffin, Arthur Leung and Jo Grobel, being Senior Managers, hold nil-cost options over non-voting A2 Shares in Marlin pursuant to the 2025 Share Plan. As described in section 10 of this Part XI, it is not possible to determine the number of A2 Shares (or the percentage of Marlin's issued share capital) over which each nil-cost option is granted prior to determining the value of Marlin on completion of an Offer. Details of the likely percentage of Marlin's issued share capital over which the relevant Directors' and Senior Managers' respective nil cost options are granted will be set out in any prospectus which may be published by the Company of which the contents of this Registration Document later form part.

9. Directors' service contracts and terms of appointment

9.1 Directors' terms of appointment

The Directors and their functions are set out in Part VII (*Directors, Senior Managers, Corporate Governance*). Each of the Executive Directors has entered into a service agreement with Shawbrook Bank, a subsidiary of the Company, and the Non-Executive Directors have each entered into letter of appointments with the Company and Shawbrook Bank.

9.2 Executive Directors

The Company has two Executive Directors, Marcelino Castrillo (CEO) and Dylan Minto (CFO), both of whom are engaged by Shawbrook Bank pursuant to service agreements dated 5 March 2021 and 13 March 2017, respectively.

Particulars of the Executive Directors' service agreements are set out below:

Name	Position	Date of appointment	Expiry of current term	Notice period
Marcelino Castrillo.....	CEO	7 June 2021	N/A	6 months
Dylan Minto	CFO	6 February 2017	N/A	6 months

9.2.1 Remuneration and benefits

Each Executive Director is entitled to a remuneration package comprising basic salary, discretionary performance-related bonuses, participation in the Company's workplace pension arrangement (the "**SIPP Plan**"), or, in lieu of contributions to the SIPP Plan, a monthly cash allowance. The Board is required to review the Executive Directors' salaries at least once in each 12-month period, but the Board is under no obligation to increase the Executive Directors' salaries following any salary review.

In addition, each Executive Director is eligible to participate in long-term incentive arrangements operated by Marlin. Please refer to section 10 of this Part XI for details of such long-term incentive arrangements.

Each Executive Director is further entitled to benefit from up to 32 days' paid holiday in each complete holiday year (excluding public holidays) and participation in the Group's benefit plans, including a life assurance scheme (under which a lump sum of up to 4x basic salary is payable upon death in service), private medical cover, and participation in any group income protection scheme. In addition, each Executive Director is entitled to be reimbursed their reasonable travelling, hotel, entertainment and other out-of-pocket expenses which they may from time to time be authorised to incur in the execution of the Executive Director's duties to the Company.

9.2.2 Termination Provisions

The service agreements of each of the Executive Directors may be terminated by either party by not less than six months' notice by either party. Shawbrook Bank may, at any time, elect to terminate an Executive Director's employment immediately by the making of a payment in lieu of notice equivalent to the Executive Directors' basic salary for the notice period, either in a lump sum or monthly instalments subject to mitigation.

In addition, the employment of the Executive Directors is terminable with immediate effect in certain circumstances, including where he: (i) becomes incapacitated from efficiently performing his duties for a continuous period of six months or 120 working days in aggregate in any continuous period of 12 months; (ii) becomes of unsound mind or a patient or lacks capacity for the purpose of any statute relating to mental health; (iii) is convicted of any criminal offence (other than a motoring offence for which no custodial sentence is given); (iv) is disqualified or otherwise prohibited by law from being a director; (v) becomes bankrupt or makes any composition or enters into any voluntary arrangement with creditors; (vi) in the reasonable opinion of Shawbrook Bank, is guilty of gross misconduct or commits any serious or persistent breach of any obligations to Shawbrook Bank or another Group company; (vii) fails to report to Shawbrook Bank all matters of which he is aware and which could reasonably be expected to materially adversely affect the present or future business of Shawbrook Bank or another Group company; (viii) in the reasonable opinion of Shawbrook Bank, is grossly negligent in the performance of his duties; (ix) refuses or wilfully neglects to carry out any of the Executive Director's duties; (x) fails to maintain, becomes disqualified or receives notice of an intention to revoke or vary individual registrations with, or approvals by, the FCA or the PRA (or both); or (xi) commits any material breach of applicable rules or guidance of the FCA or PRA (or both). Additionally, in the case of the CEO only, the CEO's employment is terminable with immediate effect in the event that: (i) he does or fails to do anything resulting in the withdrawal or suspension of the necessary regulatory approvals or any authorisation of Shawbrook Bank or any Group company; (ii) he is disqualified from the FCA register; or (iii) he is determined by Shawbrook Bank or any Group company not to be fit and proper to carry out his duties as a person certified as fit and proper under the Certification Regime as set out in the FCA and PRA rules or as an individual performing one or more senior management function(s) on behalf of any member of the Group as required by the FCA or PRA.

The Bank may also place each of the Executive Directors on garden leave for all or part of their notice periods or to investigate any matter in which Shawbrook Bank reasonably believes the Executive Director is implicated or involved. During this period, the Executive Director remains an employee of Shawbrook Bank and is entitled to continue to receive their salary and other benefits, subject to certain conditions.

Marlin is entitled to require the Company to terminate the employment of the Executive Directors (or either of them) at any time provided that: (i) Marlin consults with the Non-Executive Chairman in good faith prior to any such termination; (ii) such action does not cause the Company to be in breach of its regulatory obligations; and (iii) a majority of the Board (including the Non-Executive Chairman) shall at all times comprise Non-Executive Directors.

Save as disclosed above, there are no existing or proposed service agreements or letters of appointment between any of the Executive Directors and any Group company which provide for benefits upon termination.

9.2.3 Post-employment restrictions

Each of the Executive Directors is subject to confidentiality restrictions and intellectual property restrictions (without any limitation in time), and to certain non-competition, non-solicitation, non-dealing and non-interference restrictive covenants for a period of 12 months after the termination of their respective employment arrangements (less any time spent on garden leave).

9.3 Non-Executive Directors

The Company and Shawbrook Bank each has eight Non-Executive Directors (including the Non-Executive Chairman and two Institutional Non-Executive Directors). The terms of their appointment (as set out below) are governed by letters of appointment and the Framework Agreement:

9.3.1 General Terms

Name	Position	Date of appointment	Expiry of current term ⁽³⁾
John Callender	Non-Executive Chairman	8 March 2018	31 May 2027
Lan Tu	Senior Independent Director	10 March 2022	10 March 2028
Janet Connor	Non-Executive Director	1 May 2022	1 May 2028
Derek Weir	Non-Executive Director	1 July 2024	1 July 2027
Andrew Didham	Non-Executive Director	1 February 2017	1 February 2027
Michele Turmore	Non-Executive Director	1 October 2019	1 October 2028
Lindsey McMurray	Institutional Non-Executive Director ⁽¹⁾	30 April 2010	N/A
Cédric Dubourdieu	Institutional Non-Executive Director ⁽²⁾	5 September 2017	N/A

(1) Lindsey McMurray was appointed to the Board by Marlin on behalf of Pollen Street Capital Limited pursuant to the terms of the framework agreement agreed between the Company and Marlin. Lindsey McMurray's appointment is not subject to a fixed term.

(2) Cédric Dubourdieu was appointed to the Board by Marlin on behalf of BC Partners LLP pursuant to the terms of the framework agreement agreed between the Company and Marlin. Cédric Dubourdieu's appointment is not subject to a fixed term.

(3) The appointments of each of the Non-Executive Directors (excluding the Institutional Non-Executive Directors) are for a fixed term of three years at a time which may be renewed for successive periods of three years.

The Non-Executive Chairman and each of the Non-Executive Directors are paid a fixed amount per annum for their services as chairman and Non-Executive Directors of the Company and Shawbrook Bank (respectively). In the case of the Institutional Non-Executive Directors, this fixed amount (inclusive of VAT) is payable to BC Partners (in respect of Cédric Dubourdieu) and Pollen Street Capital (in respect of Lindsey McMurray). Additionally, certain Non-Executive Directors (excluding the Institutional Non-Executive Directors) are paid a further fixed amount per annum in respect of their holding the chair position on, or for membership of, the Company's Audit, Risk, Nomination and Governance or Remuneration Committees. In addition, Lan Tu is paid a further fixed amount per annum in respect of her appointment as the Board's Senior Independent Director.

The Non-Executive Chairman and each of the Non-Executive Directors (including the Institutional Non-Executive Directors) are further entitled to the reimbursement of business expenses that are necessarily incurred in connection with the performance of their respective duties to the Company and Shawbrook Bank. In the case of the Institutional Non-Executive Directors, any reimbursed expenses are payable by the Company to Marlin (unless Marlin directs otherwise).

The Non-Executive Chairman and each of the Non-Executive Directors have the benefit of the Company's Directors' liability insurance, professional indemnity insurance, public liability insurance and employer's liability insurance for the duration of their respective appointments (and, in the case of Directors' liability insurance, for a period of six years following the termination of their respective appointments). Additionally, the Non-Executive Chairman has the benefit of an indemnity from the Company in respect of any loss suffered as a result of any act or omission whilst acting as a director of the Company, and is entitled to the provision of a loan from the Company to meet expenditure incurred in defending certain proceedings or in connection with any regulatory investigations, in each case, in relation to any Group company.

Neither the Non-Executive Chairman nor the Non-Executive Directors are, however, entitled to participate in the Group's benefit plans, bonus or share plans, or its pension schemes.

9.3.2 Termination Provisions

The appointments of the Non-Executive Directors (including the Non-Executive Chairman, but excluding the Institutional Non-Executive Directors) to the board of directors of the Company and Shawbrook Bank, respectively, are terminable by the relevant Non-Executive Director or the relevant entity on giving three months' written notice.

The Company or, in certain cases, Shawbrook Bank is entitled to terminate the appointment of the Non-Executive Chairman and the Non-Executive Directors (excluding the Institutional Non-Executive Directors) with immediate effect in circumstances where the relevant Non-Executive Director: (i) has committed a material breach of their obligations set out in their respective letter of appointment; (ii) has committed a serious breach of non-observance of their obligations to the Company (including any obligation arising by virtue of statute, contract or as a result of any fiduciary or common law duties owed to the Company); or (iii) no longer holds the relevant approvals to perform relevant controlled functions for the purposes of section 59 of FSMA (such approvals to be maintained by the FCA and/or the PRA (or, in each case, any successor authority)). Additionally, the appointment of the Non-Executive Chairman or any of the Non-Executive Directors will terminate automatically in the event that their office is vacated or each otherwise ceases to be a Director in accordance with the Articles.

Under the terms of the Framework Agreement, the Company is entitled to terminate the appointment of the Institutional Non-Executive Directors with immediate effect if the Framework Agreement is terminated. Marlin is further entitled to require the Company to remove and/or terminate the appointments of the Non-Executive Directors (including the Institutional Non-Executive Directors) under the terms of the Framework Agreement in the same manner as it may remove or terminate the employment of the Executive Directors. Additionally, in the case of the Institutional Non-Executive Directors, Marlin is itself entitled to remove each from the Board provided that it has first consulted with the Non-Executive Chairman or the Chief Executive Officer.

The only fees payable upon the termination of the appointment of the Non-Executive Chairman or the Non-Executive Directors are those already accrued up to, and including, the date of termination, together with any reimbursement of any expenses properly incurred prior to such date. No compensation or damages for loss of office are payable by the Company, and no fee will be payable in respect of any unexpired proportion of the term of the appointment.

The Non-Executive Chairman and each of the Non-Executive Directors are subject to confidentiality undertakings without limitation in time.

Save as disclosed above, there are no existing or proposed service agreements or letters of appointment between any of the Non-Executive Directors and any Group company which provide for benefits upon termination.

9.4 Directors' and Senior Managers' remuneration

The aggregate amount of remuneration paid (including salary, fees, incentives and other benefits) to the Directors and the Senior Managers by the Company and its subsidiaries for services in all capacities for the year ended 31 December 2024 was £8.5 million, of which £3.8 million was paid to the Directors and £4.7 million was paid to the Senior Managers.

In the financial year ended 31 December 2024, the Executive Directors were remunerated as follows:

Executive Director	Base Salary (£000s)	Bonus (£000s)	Pension (£000s)	Other benefits (£000s)	Total (£000s)
Marcelino Castrillo (CEO)	900	1,000	135	2	2,037
Dylan Minto (CFO)	433	420	65	2	921

In the financial year ended 31 December 2024, the Non-Executive Directors were remunerated as follows:

Non-Executive Director	Fees (£000s)
John Callender (Chair)	275
Lan Tu (Senior Independent Director)	124
Michele Turmore (Independent Non-Executive Director)	121
Andrew Didham (Independent Non-Executive Director)	118
Janet Connor (Independent Non-Executive Director)	96
Derek Weir (Independent Non-Executive Director)	63
Cédric Dubourdieu (Institutional Non-Executive Director)(1)	-
Lindsey McMurray (Institutional Non-Executive Director)(2)	-

- (1) Whilst not paid directly to the individual, the Group incurred fees of £50,000 in respect of Cédric Dubourdieu's service as an Institutional Non-Executive Director. Such fees are payable to BC Partners in accordance with the terms of the Framework Agreement and are therefore not included in the above table.
- (2) Whilst not paid directly to the individual, the Group incurred fees in respect of Lindsey McMurray's service as an Institutional Non-Executive Director. Such fees are payable to Pollen Street Capital in accordance with the terms of the Framework Agreement and are therefore not included in the above table.

10. Employee share plans

The Company's parent company, Marlin, operates the following share-based employee incentive plans: (i) the MIP; (ii) the 2025 Share Plan; and (iii) the EIP. Please refer to section 8.4 of this Part XI for further information with respect to the indirect interests of the Directors and Senior Managers in the share capital of the Company by virtue of their participation in such share-based employee incentive plans.

10.1 The MIP

10.1.1 Introduction

The MIP is a discretionary share-based arrangement intended to incentivise and retain selected Managers, operated in accordance with the Investment Agreement and the Marlin Articles, through the issuance of A2 Shares and A6 Shares.

10.1.2 Shares held

MIP participants have acquired A2 Shares and/or A6 Shares under the MIP at their prevailing market value. Their aggregate shareholdings in Marlin as at the date of this Registration Document are set out below.

<u>Class of Marlin shares</u>	<u>Number</u>	<u>Percentage of Marlin's issued share capital (%)</u>	<u>Number of MIP participants</u>
A2 Shares	38,251	0.01396	4
A6 Shares	6,575,800	2.40003	43

10.1.3 Allocation of proceeds following an Offer

MIP participants will realise value under the MIP following an Offer in respect of their A2 Shares and/or A6 Shares, which will be calculated by reference to the value of Marlin. This value will be delivered by way of an allocation of proceeds calculated using the distribution waterfall contained in the Marlin Articles.

10.1.4 Share rights

The A2 Shares and A6 Shares have the rights and restrictions as set out in the Marlin Articles.

10.2 The 2025 Share Plan

10.2.1 Introduction

The 2025 Share Plan is a discretionary share incentive plan adopted by Marlin, under which participants receive nil-cost options to acquire a number of A2 Shares.

10.2.2 Eligibility

Employees and directors of the Marlin Group are eligible to participate in the 2025 Share Plan at the discretion of the Marlin directors.

10.2.3 Quantum

The number of A2 Shares over which each nil-cost option is granted is calculated by reference to a proportion (set at the time the nil-cost option is granted) of a value pool (expressed in monetary terms), which is determined by reference to the value of Marlin on completion of an Offer. Prior to the pricing of an Offer, it is not possible to calculate the number of A2 Shares over which each nil-cost option is granted.

10.2.4 Vesting

Awards will become exercisable in full immediately prior to and conditional on completion of an Offer.

10.2.5 Cessation of employment

Participants' awards normally lapse on their cessation of employment unless they are a "good leaver" (where their departure is due to circumstances such as their death, permanent illness, incapacity or disability or retirement), in which case a portion of the award may be retained and become capable of being exercised as if the participant had not ceased employment.

10.2.6 Malus

Marlin may reduce the value of, or apply additional conditions to, an award before it is exercised if it determines that any of the following circumstances have occurred: the participant participated in or was responsible for conduct which resulted in significant losses to the Marlin Group; the participant's failure to meet appropriate standards of fitness and propriety, misbehaviour, or material error; the Marlin Group (or one of its members or business units) suffering a material downturn in its financial performance or a material failure of risk management; and/or another event which Marlin determines should give rise to the application of malus.

10.2.7 Rights attaching to A2 Shares

A participant only becomes subject to the rights and restrictions relating to the A2 Shares set out in the Marlin Articles, once the participant becomes a shareholder following the issue or transfer of A2 Shares to them in satisfaction of the exercise of a vested award.

10.2.8 Non-transferability

A participant may not transfer, assign or otherwise dispose of their award or any rights in respect of it except in the case of the death of the participant or if Marlin consents.

10.2.9 Termination

No awards may be granted under the 2025 Share Plan after completion of an Offer.

10.3 The EIP

10.3.1 Introduction

The EIP is also a discretionary share incentive plan adopted by Marlin, under which participants receive nil-cost options to acquire a number of A2 Shares. There are five awards outstanding under the EIP held by five individuals who gave up their annual bonus relating to the Group's 2017 financial year in exchange for each being granted an award under the EIP. The aggregate number of A2 Shares subject to these awards is 289,411.

10.3.2 Vesting

Awards will become exercisable in full immediately prior to and conditional on completion of an Offer.

10.3.3 Cessation of employment

If a participant ceases employment with the Marlin Group prior to the exercise of an award, the award will not lapse, but Marlin may, in its discretion, adjust the number of A2 Shares subject to the award.

10.3.4 Malus and clawback

Marlin may reduce the value of, or apply additional conditions to, an award before it is exercised, or may apply clawback to an award within three years of an award vesting if it determines that any of the following circumstances have occurred: the participant participated in or was responsible for conduct which resulted in significant losses to the Marlin Group; the participant's failure to meet appropriate standards of fitness and propriety, misbehaviour, or material error; the Marlin Group (or one of its members or business units) suffering a material downturn in its financial performance or a material failure of risk management; and/or another event which Marlin determines should give rise to the application of malus and/or clawback.

10.3.5 Rights attaching to A2 Shares

A participant only becomes subject to the rights and restrictions relating to the A2 Shares set out in the Marlin Articles, once the participant becomes a shareholder following the issue or transfer of A2 Shares to them in satisfaction of the exercise of a vested award.

10.3.6 Non-transferability

A participant may not transfer, assign or otherwise dispose of their award or any rights in respect of it except in the case of the death of the participant or if Marlin consents.

10.3.7 Termination

No awards may be granted under the EIP after completion of an Offer.

11. Employees

All of the Group's employees (including Directors) are located in the UK. The average number of employees (including Directors) employed by the Group on a full-time equivalent basis for each of its reportable operating segments for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 is set out below.

Business area ⁽¹⁾	Financial year ended		
	31 December 2022	31 December 2023	31 December 2024
Real Estate	211	218	208
SME	241	265	299
Consumer Finance	79	82	95
Retail Mortgage Brands	189	276	323
Other	409	505	594
Average FTEs during period	1,129	1,346	1,519

(1) Figures in this table include contracted employees of the Group only and do not include contractors.

The Group does not recognise or have any arrangements with any trade union, works councils or equivalent employee representative bodies.

12. Pensions

As of 31 December 2024, the Group operated four pension plans to provide retirement benefits to its employees. However, in January and March 2025, the Group completed certain TUPE transfers and now operates, and provides employer contributions to, a single workplace pension plan – the SIPP Plan – to provide retirement benefits to its employees. The SIPP Plan is, and the three other pension plans were, defined contribution arrangements under which the Group's obligations are limited to the payment of contributions at agreed rates, with no further funding obligations once the contributions have been paid.

The Group's Executive Directors and certain other senior employees are (under the SIPP Plan) entitled to take all or part of their entitlement to contributions to the SIPP Plan as a monthly cash allowance up to a specified percentage of base salary (subject to applicable statutory deductions) (the "**Cash Allowance**").

The total amount set aside or accrued by Group to provide pension, retirement or similar benefits (including the Cash Allowance) for the Directors and Senior Managers under the SIPP Plan and the other pension arrangements was £0.5 million at 31 December 2024. The total expense relating to the SIPP Plan and other pension arrangements for all participants in the year to 31 December 2024 was £7.7 million, of which the total expense in respect of the Cash Allowance was £0.6 million.

The Group has no funding obligations in relation to any other pension schemes.

13. Litigation

Save as described in the following paragraphs, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the period 1 January 2022 to the date of this Registration Document, which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

13.1 Timeshare Claims

The Group historically provided loans to consumers to fund purchases of timeshare products from certain distribution partners (“**Timeshare Loans**”). As the lender with respect to Timeshare Loans, the Group is exposed to potential liability for complaints and legal claims from consumers pursuant to section 75 of the CCA (in cases where the consumer has a claim against the timeshare distribution partner for misrepresentation or breach of contract) and section 140A of the CCA (in cases where the relationship between the Group and the consumer under the terms of the Timeshare Loan is found to be unfair).

In total, as at 30 June 2025, the Group had received approximately 3,000 complaints and 16 legal claims from or on behalf of consumers seeking redress in respect of historic Timeshare Loans (together, “**Timeshare Claims**”). The monthly volume of Timeshare Claims received from or on behalf of consumers has fallen significantly since the beginning of 2024, with only 10-15 new complaints received in each month in the six months ended 30 June 2025 and no new legal claims having been received since July 2022.

As at 30 June 2025, the cumulative cost to the Group of all Timeshare Claims is approximately £4.1 million and the Group had recognised a provision of a further £7.7 million in respect of expected future expenditure relating to current and future Timeshare Claims. The Group has insurance policies in place that it believes would substantially cover the remediation costs which the Group expects to incur in relation to Timeshare Claims and, as at 30 June 2025, the Group recognised a reimbursement asset of £5.6 million in respect of expected insurance recoveries. In addition, the Group has recovered approximately £1.2 million pursuant to an indemnity given by one of its key timeshare distribution partners and expects to continue to recover pursuant to that indemnity insofar as Timeshare Claims relate to Timeshare Loans arranged by that distribution partner.

13.2 Solar Claims

The Group historically provided loans to consumers to fund purchases of solar panels from retail suppliers (“**Solar Panel Loans**”). As the lender with respect to Solar Panel Loans, the Group is exposed to potential liability for complaints and legal claims from consumers pursuant to section 75 of the CCA (in cases where the consumer has a claim against the solar panel supplier for misrepresentation or breach of contract) and section 140A of the CCA (in cases where the relationship between the Group and the consumer under the terms of the Solar Panel Loan is found to be unfair).

The Group began to receive claims in respect of Solar Panel Loans in 2015 under section 75 of the CCA and/or section 140A of the CCA. In total, as at 30 June 2025, the Group had received approximately 9,700 complaints and approximately 460 legal claims (excluding a small number of claims determined on an ad hoc basis between 2016 and 2020) from or on behalf of consumers seeking redress in respect of historic Solar Panel Loans (together, “**Solar Panel Claims**”). The volume of Solar Panel Claims received from or on behalf of consumers has fallen significantly in recent years, with no more than five new complaints received in each month in the six months ended 30 June 2025 and no new legal claims having been received since May 2024.

As at 30 June 2025, the cumulative cost to the Group of all Solar Panel Claims since 2017 is approximately £46.3 million (before taking into account recoveries under the Group's insurance policies and under an indemnity given to the Group by one of its key solar panel supplier partners (the “**Solar Indemnity**”). As at 30 June 2025, the Group had recovered approximately £16.1 million under its insurance policy in respect of Solar Panel Claims and approximately £6 million under the Solar Indemnity. The Group expects to continue to recover under the Solar Indemnity in respect of any new Solar Panel Claims relating to Solar Panel Loans provided to fund the supply of solar panels by the key solar panel supplier concerned.

The Group no longer maintains a provision in its financial statements with respect to Solar Panel Claims and does not expect to receive a significant number of new Solar Panel Claims going forward or incur further material liabilities in this respect going forward.

14. Related party transactions

Save as disclosed in Note 36 of the Group's historical financial information for the financial years ended 31 December 2024, 31 December 2023 and 31 December 2022 set out in Section B of Part IX (*Historical Financial Information*) and in Note 23 of the Group's unaudited interim financial statements for the six month period ended 30 June 2025 set out in Section D of Part IX (*Historical Financial Information*), and other than as set out in section 8.2 of this Part XI, no member of the Group entered into any related party transactions (which for these purposes are those set out in IFRS) from and including 1 January 2022 to and including the date of this Registration Document.

15. Material contracts

Save as set out below, there are no contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company or another member of the Group: (i) within the two years immediately preceding the date of this Registration Document which are material to the Company or any member of the Group, or (ii) at any time and contain any provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Registration Document:

15.1 JBR Acquisition

On 15 June 2024, Shawbrook Bank entered into a sale and purchase agreement (the "**JBR SPA**") with the then owners of the JBR Group (the "**JBR Sellers**") in relation to the JBR Acquisition. The JBR Acquisition was completed on 30 September 2024 following receipt of necessary change of control approvals from the FCA. The total purchase price in respect of the JBR Acquisition was £22 million.

Under the terms of the JBR SPA, the JBR Sellers agreed to indemnify Shawbrook Bank, subject to certain agreed limitations on the JBR Sellers' liability, against certain losses which it may suffer in connection with DCAs involving members of the JBR Group and its brokers prior to completion of the JBR Acquisition (the "**Indemnity**"). Claims by Shawbrook Bank under the Indemnity are capped at a fixed amount which is designed to cover the modelled potential exposure of the JBR Group to DCA-related claims. That fixed amount was paid into escrow for Shawbrook Bank's benefit on completion of the JBR Acquisition and will, to the extent not reduced by Indemnity claims, be released to the JBR Sellers on a date agreed between the parties.

On completion of the JBR Acquisition, Shawbrook Bank purchased JBR Capital's back book of motor finance loans and agreed to fund loans originated by JBR Capital following completion of the JBR Acquisition. Under the terms of that arrangement, JBR Capital continues to service all of the loans originated by it from time to time.

In addition, certain members of JBR's management ("**JBR Management**") provided customary warranties to Shawbrook Bank under the terms of a warranty deed entered into between Shawbrook Bank and JBR Management (the "**JBR Warranty Deed**"). Shawbrook Bank's sole recourse for any breach of the warranties given by JBR Management is, save in the case of fraud, to a warranty and indemnity insurance policy procured by Shawbrook Bank in connection with the JBR Acquisition (the "**JBR W&I Policy**"). Claims under the JBR W&I Policy are subject to customary limitations on, and exclusions of, the insurers' liability.

15.2 ThinCats Acquisition

On 1 September 2025, Shawbrook Bank entered into a number of acquisition agreements (the "**ThinCats Acquisition Agreements**") with the majority and certain minority shareholders of ThinCats Group Limited ("**ThinCats**") in relation to the acquisition by Shawbrook Bank of the entire issued share capital of ThinCats (including new shares to be issued prior to completion in accordance with the terms of certain outstanding warrant instruments). Completion of the ThinCats Acquisition was conditional on receipt of a waiver from a third party in respect of the change of control of ThinCats Limited (a wholly-owned subsidiary of ThinCats). Completion of the ThinCats Acquisition occurred on 30 September 2025.

Pursuant to the terms of the ThinCats Acquisition Agreements, an estimated purchase price of £44 million was paid by Shawbrook Bank on completion. The final purchase price payable to ThinCats' shareholders will be determined in accordance with an agreed post-completion adjustment mechanism based on an assumed tangible net asset value. In addition, under the terms of the ThinCats Acquisition Agreements, Shawbrook Bank has also agreed to cancel and prepay a third-party debt facility at completion on behalf of ThinCats.

In addition, certain members of ThinCats' management ("**ThinCats Management**") provided warranties to Shawbrook Bank under the terms of a warranty deed entered into between Shawbrook Bank and ThinCats Management (the "**ThinCats Warranty Deed**"). Shawbrook Bank's sole recourse for any breach of the warranties given by ThinCats Management under the ThinCats Warranty Deed is, save in the case of fraud, to a warranty and indemnity insurance policy in favour of Shawbrook Bank. Claims under the warranty and indemnity policy are subject to customary limitations on, and exclusions of, the insurers' liability.

15.3 Framework Agreement and Memorandum of Understanding

The Company entered into a Framework Agreement with Marlin on 7 November 2017, which ensures that information flows between the Company and Marlin 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 Framework Agreement affords Marlin the right to appoint two directors to the Company's board of directors, to act as representatives of BC Partners and Pollen Street Capital, respectively. The Framework Agreement also includes a formal schedule of matters reserved for the Board and those matters which require recommendation to Marlin for approval, as well as certain information rights with respect to the Group in favour of Marlin. The Framework Agreement is supported by a memorandum of understanding ("**MOU**") between the Company and Marlin, which 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.

The Framework Agreement (and the MOU) shall terminate upon Marlin ceasing to be the holder or beneficial owner of shares in the capital of the Company, and is expected to be terminated, and replaced with a relationship agreement on customary terms, on any admission of the Company's shares to listing and trading.

15.4 2017 AT1 Securities

On 8 December 2017, the Company issued £125,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (the "**2017 AT1 Securities**") pursuant to an information memorandum (the "**2017 AT1 Information Memorandum**") and certain transaction documents entered into in connection with the issuance (the "**2017 AT1 Transaction Documents**").

In 2022, holders of the 2017 AT1 Securities were invited to exchange their 2017 AT1 Securities for new 2022 AT1 Securities (as defined below). The principal amount accepted for exchange was £124 million and, today, the Group has £124 million of 2022 AT1 Securities and £1 million of 2017 AT1 Securities outstanding. Further information on the 2022 AT1 Securities is set out in section 15.5 of this Part XI.

The 2017 AT1 Securities have, since December 2022, borne interest at 10.298 per cent. per annum. The 2017 AT1 Securities are listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market of Euronext Dublin.

The 2017 AT1 Securities are perpetual securities and constitute direct, unsecured and subordinated obligations of the Company, ranking: (i) *pari passu* and without preference among themselves; and (ii) junior to the T2 Notes (as defined below). If the CET1 Ratio (as defined in the 2017 AT1 Information Memorandum) of the Group falls below 7.00 per cent., the 2017 AT1 Securities will be automatically written down to zero and cancelled.

The Company may, subject to certain regulatory conditions, elect to redeem all (but not some only) of the 2017 AT1 Securities on any Reset Date (as defined in the 2017 AT1 Information Memorandum) and each fifth anniversary thereafter upon not less than 30 nor more than 60 days' prior notice at their principal amount together with accrued and unpaid interest.

The Company may further elect to redeem all (but not some only) of the 2017 AT1 Securities at any time if: (i) as a result of change in the regulatory classification, the 2017 AT1 Securities are excluded from the Additional Tier 1 Capital of the Group; or (ii) certain tax law changes occur, in each case, at their principal amount together with accrued and unpaid interest.

The 2017 AT1 Information Memorandum and the 2017 AT1 Transaction Documents do not contain any onerous covenants, events of default or limitations on the ability of the Company to consolidate, merge, sell or otherwise dispose of all its assets, or enter into transactions with affiliates. The 2017 AT1 Securities are not guaranteed by any other member of the Group.

The 2017 AT1 Transaction Documents are governed by English law.

15.5 2022 AT1 Securities

On 24 October 2022, the Company issued £124,000,000 Fixed Rate Reset Perpetual Additional Tier 1 Write Down Capital Securities (the "**2022 AT1 Securities**") pursuant to admission particulars (the "**2022 AT1 Admission Particulars**") and certain transaction documents entered into in connection with the issuance. The 2022 AT1 Securities were issued in exchange for £124,000,000 of the Company's 2017 AT1 Securities.

The 2022 AT1 Securities bear interest at 12.103 per cent. per annum until 8 June 2028 and thereafter at the relevant Reset Rate of Interest (as defined in the 2022 AT1 Securities Admission Particulars). The 2022 AT1 Securities are admitted to trading on the London Stock Exchange's International Securities Market.

The 2022 AT1 Securities are perpetual securities and constitute direct, unsecured, unguaranteed and subordinated obligations of the Company, ranking: (i) *pari passu* and without preference among themselves; and (ii) junior to the T2 Notes. If the CET1 Ratio (as defined in the 2022 AT1 Admission Particulars) of the Group falls below 7.00 per cent., the 2022 AT1 Securities will be automatically written down to zero and cancelled.

The Company may, subject to certain regulatory conditions, elect to redeem all (but not some only) of the 2022 AT1 Securities at their principal amount, together with all accrued and unpaid interest, on any day falling in the period on (and including) 8 December 2027 and ending on (and including) 8 June 2028, or on any Interest Payment Date (as defined in the 2022 AT1 Admission Particulars) thereafter. In each case, the Company may exercise its option to redeem all of the 2022 AT1 Securities by giving to the holders of such securities not less than 15 nor more than 45 days' notice.

15.6 T2 Notes

On 10 July 2020, the Company issued £75,000,000 Fixed Rate Reset Callable Subordinated Notes eligible as its Tier 2 Capital (the "**T2 Notes**") pursuant to listing particulars (the "**T2 Listing Particulars**") and certain transaction documents entered into in connection with the issuance. The T2 Notes bore, prior to their redemption, interest at 9 per cent. per annum until 10 October 2025 and thereafter at the aggregate of the applicable Margin and the Reset Reference Rate (each as set out in the T2 Listing Particulars). The T2 Notes were, prior to their redemption, listed on the Official List of the Irish Stock Exchange and traded on the Global Exchange Market of Euronext Dublin.

The Company elected to redeem all of the T2 Public Notes in accordance with their terms on 10 July 2025 at their principal amount together with accrued and unpaid interest.

15.7 T2 Private Notes

On 27 September 2019, the Company issued £20,000,000 Fixed Rate Reset Callable Subordinated Notes eligible as Tier 2 Capital (the “**T2 Private Notes**”). The T2 Private Notes were redeemed by the Company in accordance with their terms on 27 September 2024. Prior to their redemption by the Company, the T2 Private Notes bore interest at 6.50 per cent. per annum until 27 September 2024 and thereafter at the aggregate of the applicable Margin and the Reset Reference Rate (each as set out in the relevant trust deed entered into in connection with the issuance) and were listed on the Freiverkehr of the Frankfurt Stock Exchange.

15.8 EMTN Programme

In 2023, the Company established a £1,000,000,000 Euro Medium Term Note Programme (the “**EMTN Programme**”) pursuant to a base prospectus (the “**2023 EMTN Prospectus**”) and trust deed each dated 7 July 2023. The 2023 EMTN Prospectus sets out the terms of any notes issued under the EMTN Programme in the 12 months to 7 July 2024. The Company issued £90,000,000 of 12.25% fixed rate reset callable subordinated Tier 2 Capital Notes, in reliance on the 2023 EMTN Prospectus, on 4 October 2023 which mature on 4 January 2034.

On 31 May 2024, the Company published an updated base prospectus (the “**2024 EMTN Prospectus**”) and on 16 May 2025, the Company published a further updated base prospectus (the “**2025 EMTN Prospectus**” and together with the 2023 EMTN Prospectus and the 2024 EMTN Prospectus, the “**EMTN Prospectuses**”). The Company issued £75,000,000 of 9.250% fixed rate reset callable subordinated Tier 2 Capital Notes, in reliance on the 2025 EMTN Prospectus, on 4 June 2025 which mature on 4 September 2035.

Under the terms of the EMTN Programme (as set out in the EMTN Prospectuses):

- up to £1,000,000,000 (or its equivalent in other currencies) aggregate principal amount of notes issued by the Company can be outstanding at any one time;
- notes will be issued in series, each series may comprise one or more tranches issued on different issue dates and the notes of each series are all subject to identical terms except that the issue date and the amount of the first payment of interest may be different in respect of different tranches;
- notes of each tranche are all subject to identical terms in all respects save that a tranche may comprise notes of different denominations, and notes may be denominated in pounds sterling, euro, U.S. dollars or in any other currency or currencies, subject to applicable law;
- Senior Notes or Tier 2 Capital Notes may be issued by the Company, and such notes may be issued as Fixed Rate Notes, Reset Notes, Zero Coupon Notes and/or Floating Rate Notes (each as defined in the EMTN Prospectuses);
- Senior Notes (and coupons relating thereto, if any) constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and constitute ordinary non-preferential debt of the Company for the purposes of the Ranking Legislation;
- Senior Notes (and any coupons relating thereto) rank: (i) *pari passu* and without preference among themselves; and (ii) *pari passu* and without preference with all other outstanding unsecured and unsubordinated deposits with, and loans to, the Company, present or future (other than obligations of the Company which rank or are expressed to rank junior to the Senior Notes, save only where the Ranking Legislation provides otherwise for ordinary non-preferential debt generally, in which case the Senior Notes and such Coupons will rank as provided in the Ranking Legislation);
- Tier 2 Capital Notes (and coupons relating thereto, if any) constitute direct and unsecured obligations of the Company and constitute tertiary non-preferential debt of the Company for the purposes of the Ranking Legislation;

- Tier 2 Capital Notes (and any coupons relating thereto, if any) rank: (i) *pari passu* and without preference among themselves; (ii) subject to the Ranking Legislation, junior to the Senior Notes and any coupons relating thereto; and (iii) senior to the 2017 AT1 Securities and the 2022 AT1 Securities;
- if the Company specifies in the corresponding pricing supplement that its Call Option (as defined in the EMTN Prospectuses) is applicable with respect to a tranche of notes issued under the EMTN Programme, the Company may elect to redeem notes in that tranche on the date(s), and at the price, specified in the relevant pricing supplement upon not less than 15 nor more than 45 days' notice; and
- the Company may further elect to redeem all (but not some only) of any Senior Notes or Tier 2 Capital Notes at any time if: (i) in the case of the Tier 2 Capital Notes only, such notes are excluded from the Tier 2 Capital of the Group as a result of a change in regulatory classification; (ii) in the case of Senior Notes only, certain changes in Loss Absorption Regulations (as defined in the EMTN Prospectuses) occur; or (iii) certain tax law changes occur.

The transaction documents entered into in connection with the EMTN Programme are governed by English law.

15.9 Securitisations

The tables below set out the details of all live securitisation transactions entered into from 2021 to the date of this document (the “**Securitisation Transactions**”). Securitisation provides diversification to the Group's funding sources and enables the Group to receive independent validation of the credit quality and performance of its underlying assets that were securitised. The key terms of each Securitisation Transaction are as follows:

- The seller gave customary representations and warranties to the trustees and the issuer in relation to the underlying loans which were sold to the issuer and of which the portfolio is comprised.
- The securitisation includes various liquidity and credit enhancement features, and the notes pay an interest rate equal to SONIA plus a margin.
- For the purposes of risk retention requirements, the seller retained as at the date of the securitisation on an ongoing basis a material net economic interest of not less than 5 per cent. in the securitisation.
- The originator of the loan remains as the legal title holder and servicer. The sale of the beneficial interest in the portfolio was done by way of equitable assignment for the English loans and by way of assignment of the seller's interest in the Scottish declaration of trust for the Scottish loans. Upon a perfection event, legal title to the loans may transfer to the issuer.
- The notes are subject to various redemption features, including in connection with available revenue receipts and available redemption receipts, exercise of the portfolio purchase option, a clean up call, and a taxation call. The notes include customary events of default.
- The notes are governed by English law as are the transaction documents (other than documents relating to Scottish mortgages which may be governed by Scottish law). The notes are constituted by way of trust deed and are secured by, without limitation, a deed of charge and the related security. The notes are governed generally by a suite of transaction documents, including among other things, a servicing agreement, an agency agreement, a bank account agreement and a cash management agreement.

Issuer SPV	Relevant dates	Gross carrying amount transferred (£ millions)	Portfolio	Seller and Swap Provider	Securities and certificates
Lanebrook Mortgage Transaction 2021-1 plc	Issued: 22 September 2021 Optional redemption: October 2026 Final maturity: July 2058	343	Originated by: The Mortgage Lender Limited Consisted of: Buy-to-let mortgage loans secured over properties located in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through E, X1 and X2, which were listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates
Genesis Mortgage Funding 2022-1 plc	Issued: 6 May 2022 Step up date: 15 June 2025 Final maturity: 15 September 2059	214	Originated by: Bluestone Mortgages Limited Consisted of: Mortgage loans secured over residential properties located in England, Wales and Scotland.	Seller: Bluestone Mortgages Limited Swap provider: NatWest Markets plc	Note classes A through F and X, which are listed on EuroNext Dublin. In addition, there are residual certificates.
Ealbrook Mortgage Funding 2022-1 plc	Issued: 30 June 2022 Optional redemption: July 2026 Final maturity: January 2059	352	Originated by: Bluestone Mortgages Limited Consisted of: Owner-occupied and buy-to-let mortgages secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through E, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Lanebrook Mortgage Transaction 2022-1 plc	Issued: 12 October 2022 Optional redemption: October 2026 Final maturity: July 2059	343	Originated by: The Mortgage Lender Limited Consisted of: Buy-to-let mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through F, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Shawbrook Mortgage Funding 2022-1 plc	Issued: 13 December 2022 Optional redemption: December 2027 Final maturity: June 2054	574	Originated by: Shawbrook Bank Limited Consisted of: Buy-to-let mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through F, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Lanebrook Mortgage Transaction 2023-1 plc	Issued: 21 November 2023 Optional redemption: May 2027 Final maturity: August 2060	401	Originated by: The Mortgage Lender Limited Consisted of: Buy-to-let mortgage loans secured against properties in England, Wales and Scotland	Seller: Shawbrook Bank Limited Swap provider: Barclays Bank plc	Note classes A (including A1 and A2) through F, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Holbrook Mortgage Transaction 2023-1 plc	Issued: 29 June 2023 Optional redemption: May 2028 Final maturity: May 2060	678	Originated by: The Mortgage Lender Limited Consisted of: Owner-occupied mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through F, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.

Issuer SPV	Relevant dates	Gross carrying amount transferred (£ millions)	Portfolio	Seller and Swap Provider	Securities and certificates
Lanebrook Mortgage Transaction 2024-1 plc	Issued: 14 May 2024 Optional redemption: December 2027 Final maturity: March 2061	557 ¹⁰⁸	Originated by: The Mortgage Lender Limited Consisted of: Buy-to-let mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Banco Santander, S.A.	Note classes A through E, X1 and X2, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Ealbrook Mortgage Funding 2024-1 plc	Issued: 30 October 2024 Optional redemption: November 2028 Final maturity: August 2066	416	Originated by: Bluestone Mortgages Limited Consisted of: Mostly owner-occupied mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through E and R, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.
Aldbrook Mortgage Transaction 2025-1 plc	Issued: 29 May 2025 Optional redemption: June 2030 Final maturity: December 2066	565 (securitisation value)	Originated by: The Mortgage Lender Limited Consisted of: Mostly buy-to-let and owner-occupied mortgage loans secured against properties in England, Wales and Scotland.	Seller: Shawbrook Bank Limited Swap provider: Lloyds Bank Corporate Markets plc	Note classes A through E and X, which are listed on EuroNext Dublin. In addition, there are 1 and 2 residual certificates.

16. Significant change

Save as set out in this section 16, there has been no significant change in the financial position or financial performance of the Group since 30 June 2025, being the date to which the latest interim financial information of the Group was prepared.

The Group completed the ThinCats Acquisition on 30 September 2025. Completion of the ThinCats Acquisition resulted in an increase in the size of the Group's loan book of approximately £0.6 billion as well as an increase in the Group's funding liabilities of approximately £0.5 billion. The increase in the Group's funding liabilities represents certain debt liabilities of the ThinCats Group which are expected to be repaid by the Group in full in the near term. In addition, the transaction is expected to result in a decrease in the Group's CET1 ratio of between 100 and 110 basis points, resulting in the Group's CET1 ratio decreasing to the lower end of its target range of between 12 per cent. and 13 per cent. However, should the Group proceed with an offer to the public of new Shares, the Group's CET1 ratio is expected to return to the middle of its target range as a result of receiving proceeds from the issuance of new Shares, assuming that any such primary offering is taken up in full.

Further information on the ThinCats Acquisition is set out in section 5.5 of Part IV (*Business Overview*) and section 15.2 of this Part XI.

¹⁰⁸ Includes £1.7 million loss allowance.

17. Consents

The Company has received the following written consents in connection with the publication of this Registration Document:

- 17.1.1 KPMG LLP has given and not withdrawn its consent to the inclusion in this Registration Document of its report in Section A of Part IX (*Historical Financial Information*), and has authorised the contents of this report as part of this Registration Document for the purposes of item 1.3 of Annex 1 of the UK Commission Delegated Regulation and Prospectus Regulation Rule 5.3.2R(2)(f). As the Shares have not and will not be registered under the U.S. Securities Act, KPMG LLP has not filed and will not file a consent under the U.S. Securities Act.
- 17.1.2 KPMG LLP has given and not withdrawn its consent to the inclusion in this Registration Document of its review report in Section C of Part IX (*Historical Financial Information* Historical Financial Information).

18. Independent auditors

The financial statements of Shawbrook Group plc as of 31 December 2022, 31 December 2023, and 31 December 2024, and for each of the years then ended, included in this document, have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

With respect to the unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2025 included herein, the independent auditors have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report for the six-month period ended 30 June 2025 included herein states that they did not audit and that they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

KPMG LLP's registered office is at 15 Canada Square, London E14 5GL, United Kingdom. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

19. Reporting accountant

The reporting accountant of the Group is KPMG LLP, whose registered office is at 15 Canada Square, London E14 5GL, United Kingdom. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales.

20. Non-statutory accounts

The financial information contained in this Registration Document, which relates to the Company and/or the Group, does not constitute statutory accounts as referred to in section 434(3) of the Companies Act 2006. Statutory accounts for each of the years ended 31 December 2022, 31 December 2023 and 31 December 2024 have been delivered to the Registrar of Companies for England and Wales and each include an unqualified auditor's report.

21. Documents available for inspection

Copies of the following documents may be inspected at Company's website at www.shawbrook.co.uk/investors for a period of 12 months from the date of this Registration Document:

- a copy of the Articles;
- a copy of KPMG LLP's accountant report in respect of the historical financial information of the Group for the years ended 31 December 2022, 31 December 2023 and 31 December 2024 as set out in Section A of Part IX (*Historical Financial Information*);
- a copy of the historical financial information of the Group as at and for the years ended 31 December 2022, 31 December 2023 and 31 December 2024, as set out in Section B of Part IX (*Historical Financial Information*);

- a copy of KPMG LLP's independent review report in respect of the interim financial statements of the Group for the six months ended 30 June 2025 as set out in Section C of Part IX (*Historical Financial Information*);
- a copy of the interim financial information of the Group as at and for the six months ended 30 June 2025 as set out in Section D of Part IX (*Historical Financial Information*);
- the written consent letter referred to in section 17.1.1 of this Part XI; and
- a copy of this Registration Document.

Dated: 6 October 2025

PART XII

DEFINITIONS

“2025 Share Plan”	means the Marlin Bidco 2025 Share Plan, as amended from time to time;
“30 by 30 Target”	has the meaning given to it in section 2.8 of Part IV (<i>Business Overview</i>);
“A2 Shares”	means the A2 ordinary shares of £1.00 each in the capital of Marlin;
“A6 Shares”	means the A6 ordinary shares of £0.0000152072751604 each in the capital of Marlin;
“Admission”	means admission of the Company's Shares to the equity shares (commercial companies) category of the Official List of the FCA and to trading on the Main Market of London Stock Exchange plc;
“AI”	has the meaning given to it in Part V (<i>Market Overview</i>);
“Alternative Performance Measures”	means a measure not presented in accordance with IFRS, U.S. GAAS or any other generally accepted accounting principles, and which may not be comparable with similarly titled measures used by others in the Group's industry;
“Articles”	means the articles of association of the Company in force as at the date of this Registration Document;
“AT1”	means additional tier 1 bonds;
“Autumn 2024 Budget”	means the statement on the nation's finances by the Chancellor of the Exchequer to the House of Commons on 30 October 2024;
“Autumn 2025 Budget”	means the statement on the nation's finances expected to be delivered by the Chancellor of the Exchequer to the House of Commons on 26 November 2025;
“Bank Rate”	means the Bank of England's base rate from time to time;
“Banking Act”	means the Banking Act 2009, as amended from time to time;
“Banking Reform Act”	means the Financial Services (Banking Reform) Act 2013, as amended from time to time;
“BMFL”	means Blue Motor Finance Limited;
“BML”	means Bluestone Mortgages Limited;
“BML Acquisition”	has the meaning given to it in section 3.7 of Part VIII (<i>Operating and Financial Review</i>);
“Board”	means the board of directors of the Company from time to time;
“BoE”	means the Bank of England;
“Brexit”	means the withdrawal of the United Kingdom from the E.U.;
“BRRD”	means Directive 2014/59/EU, as amended from time to time;

“CAGR”	means compound annual growth rate;
“capital expenditure”	means expenditure on property, plant and equipment and intangible assets inclusive of all third-party cash contributions received towards capital expenditure (from the Group’s suppliers or landlords);
“Capquest”	has the meaning given to it in section 6 of Part I (<i>Risk Factors</i>);
“CBILS”	means the Coronavirus Business Interruption Loan Scheme;
“CCA”	means the Consumer Credit Act 1974, as amended from time to time;
“CEO”	means the Chief Executive Officer of the Company as at the date of this Registration Document;
“CET1”	means Common Equity Tier 1;
“CFO”	means the Chief Financial Officer of the Company as at the date of this document;
“CGU”	has the meaning given to it in Section B of Part IX (<i>Historical Financial Information</i>);
“CMA”	means the UK Competition and Markets Authority;
“Companies Act 2006”	means the Companies Act 2006 of England and Wales, as amended from time to time;
“Company”	means Shawbrook Group plc;
“CONC”	means the Consumer Credit sourcebook;
“Conduct Rules”	means one element of the SM&CR (as defined below) which applies to all employees (except ancillary staff who perform a role that is not specific to the financial services business of the firm) of firms within the scope of the SM&CR;
“Consumer Duty”	means the consumer duty introduced by the FCA pursuant to PS22/9 and contained in PRIN 2A of the Principles for Businesses Sourcebook of the FCA Handbook of Rules and Guidance;
“COVID-19”	means the Coronavirus Disease 2019 as designated by the World Health Organization;
“DCAs”	means discretionary commission arrangements;
“Directors”	means the directors of the Company as at the date of this Registration Document, whose details are set out in Part III (<i>Directors, Registered Office and Advisers</i>);
“Disclosure Guidance and Transparency Rules”	means the disclosure guidance and transparency rules made by the UK Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
“EBA”	means the European Banking Authority;
“ECL”	means expected credit loss;
“EIP”	means the Marlin Bidco Equity Investment Plan, as amended from time to time;

“EIR”	has the meaning given to it in section 4 of Part VIII (<i>Operating and Financial Review</i>);
“ESMA”	means the European Securities and Markets Authority;
“E.U.”	means the European Union;
“EUWA 2018”	means the European Union (Withdrawal) Act 2018;
“Executive Directors”	means the executive directors of the Company, which as at the date of this Registration Document comprise the CEO and the CFO;
“FCA”	means the Financial Conduct Authority;
“FCA Handbook”	means the FCA’s Handbook of Rules and Guidance;
“Financial Statements”	means the consolidated financial statements for the Group for FY 2022, FY 2023 and FY 2024;
“FinTech”	means businesses with a focus on developing and distributing financial technology, being technology used to support or enable banking and financial services;
“Firstsource”	has the meaning given to it in section 6 of Part I (<i>Risk Factors</i>);
“FOS”	means the Financial Ombudsman Service;
“FPC”	has the meaning given to it in section 1.1.5 of Part VI (<i>Supervision and Regulation</i>);
“Framework Agreement”	means the framework agreement between the Company and the Major Shareholder dated 7 November 2017;
“FSCS”	means the Financial Services Compensation Scheme;
“FSMA”	means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;
“Fundamental Rules”	means the eight fundamental rules set out in the PRA Rulebook;
“FVOCI”	means fair value through other comprehensive income;
“FVTPL”	means fair value through profit and loss;
“FY 2022”	means the Company’s financial year ended 31 December 2022;
“FY 2023”	means the Company’s financial year ended 31 December 2023;
“FY 2024”	means the Company’s financial year ended 31 December 2024;
“FY 2026”	means the Company’s financial year ended 31 December 2026;
“FY 2027”	means the Company’s financial year ended 31 December 2027;
“GDP”	means gross domestic product;
“Group”	means the Company and each of its direct and indirect subsidiaries from time to time (and “subsidiary” shall have the meaning ascribed to it in the Companies Act 2006);
“H1 2024”	means the six months ended 30 June 2024;
“H1 2025”	means the six months ended 30 June 2025;

“Historical Financial Information”	has the meaning given to it in section 1 of Part II (<i>Presentation of Financial and Other Information</i>);
“ICAAP”	has the meaning given to it in section 8.3 of Part VIII (<i>Operating and Financial Review</i>);
“ICAEW”	means the Institute of Chartered Accountants in England and Wales;
“IFRS”	means UK adopted International Financial Reporting Standards as issued by the International Accounting Standards Board;
“ILAAP”	has the meaning given to it in section 8.3 of Part VIII (<i>Operating and Financial Review</i>);
“ILTR”	means the Bank of England’s Indexed Long Term Repo facility;
“Institutional Non-Executive Directors”	means Lindsey McMurray and Cédric Dubourdieu;
“Interim Financial Report”	has the meaning given to it in Section C of Part IX (<i>Historical Financial Information</i>);
“Interim Financial Statements”	has the meaning given to it in Section C of Part IX (<i>Historical Financial Information</i>);
“Investment Agreement”	means an investment agreement relating to Marlin dated 29 April 2019, as amended from time to time;
“JBR Acquisition”	has the meaning given to it in section 3.3 of Part IV (<i>Business Overview</i>);
“JBR Capital”	means JBR Capital Limited;
“JBR Group”	means JBR Auto Holdings Limited and its subsidiaries;
“LCR”	means liquidity coverage ratio;
“LGD”	means loss given default;
“Listing Rules”	means the listing rules made by the UK Listing Authority under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
“Managers”	means the employees constituting the management team of the Marlin Group, including certain Senior Managers;
“Market Abuse Regulation”	means the Market Abuse Regulation EU 596/2014 as it forms part of retained E.U. law as defined in the EUWA 2018;
“Marlin” or “Major Shareholder”	means Marlin Bidco Limited;
“Marlin Articles”	means Marlin’s articles of association, as amended from time to time;
“Marlin Group”	means Marlin and its subsidiary undertakings from time to time;
“MCOB”	means the Mortgages and Home Finance: Conduct of Business sourcebook;
“MIP”	means Marlin’s management incentive plan, as amended from time to time, under which participants may acquire A2 Shares and/or A6 Shares;

“MREL”	means the minimum requirements for own funds and eligible liabilities;
“NICs”	has the meaning given to it in section 31 of Part I (<i>Risk Factors</i>);
“Non-Executive Chairman”	means the non-executive chairman of the board of directors of the Company, which as at the date of this Registration Document is John Callender;
“Non-Executive Directors”	means the non-executive directors of the Company, which as at the date of this Registration Document comprise John Callender, Lan Tu, Janet Connor, Derek Weir, Andrew Didham, Michele Turmore, Lindsey McMurray and Cédric Dubourdieu;
“NSFR”	means net stable funding ratio;
“Offer”	means either: (a) the admission of any of the Shares (or the shares of any company in the Marlin Group or any entity which owns substantially all of the assets of the Marlin Group at the time) to the Official List of the UK Listing Authority becoming effective and the admission of any of the Shares (or any of the shares of any company in the Marlin Group or any entity which owns substantially all of the assets of the Marlin Group at the time) to trading on the London Stock Exchange’s market for listed securities; or (b) the equivalent admission to trading to or permission to deal on the Alternative Investment Market of the London Stock Exchange or any other recognised investment exchange for the purposes of the Financial Services and Markets Act 2000 becoming effective in relation to any of the Shares (or the shares of any company in the Marlin Group or of any entity which owns substantially all of the assets of the Marlin Group at the time);
“OTC”	has the meaning given to it in section 5.3 of Part VI (<i>Supervision and Regulation</i>);
“PD”	means probability of default;
“period under review”	has the meaning given to it in the introductory paragraph of Part VIII (<i>Operating and Financial Review</i>);
“Pillar 1”	has the meaning given to it in section 2.1 of Part VI (<i>Supervision and Regulation</i>);
“PMAs”	has the meaning given to it in Note 34.5 of Section B of Part IX (<i>Historical Financial Information</i>);
“POCI”	means purchased or originated credit impaired;
“PRA”	means the Prudential Regulation Authority;
“PRA Rulebook”	means the PRA Rulebook for CRR Firms, as amended from time to time;
“Principles”	means the 12 principles set out in the Principles for Businesses Sourcebook of the FCA Handbook of Rules and Guidance;
“Prospectus Regulation Rules”	means the prospectus regulation rules of the FCA made under section 73A of FSMA, as amended from time to time;
“Q3 2025”	means the three months ended 30 September 2025;

“Ranking Legislation”	means The Banks and Building Societies (Priorities on Insolvency) Order 2018, as amended, supplemented or replaced from time to time, and any applicable law which is amended by such order from time to time;
“RAS”	has the meaning given to it in section 2 of Part X (<i>Risk Management</i>);
“Registration Document”	means this document;
“repurchase agreement”	has the meaning given to it in section 2.9 of Part IX (<i>Historical Financial Information</i>);
“RMF”	has the meaning given to it in section 3 of Part X (<i>Risk Management</i>);
“Senior Independent Director”	means the senior independent director of the Company, which as at the date of this Registration Document is Lan Tu;
“Senior Managers”	means the senior managers as at the date of this Registration Document, whose details are set out in section 2 of Part VII (<i>Directors, Senior Managers, Corporate Governance</i>);
“Senior Managers and Certification Regime” or “SM&CR”	means the Senior Managers and Certification Regime implemented by the FCA which governs how individuals working in financial services are regulated;
“Shareholder”	means a registered holder of Shares from time to time;
“Shares”	means the ordinary shares of £0.01 each in the capital of the Company, having the rights set out in the Articles;
“Shawbrook Bank”	means Shawbrook Bank Limited;
“SICR”	means significant increase in credit risk;
“SIPP Plan”	has the meaning given to it in section 9.2 of Part XI (<i>Additional Information</i>);
“SMEs”	means small and medium-sized enterprises;
“SONIA”	means the Sterling Overnight Index Average rate;
“SRR”	means the special resolution regime made under the Banking Act;
“TAM”	means total addressable market;
“Target”	has the meaning given to it in section 6 of Part I (<i>Risk Factors</i>);
“TFSME”	means the Bank of England’s Term Funding Scheme with additional incentives for SMEs;
“ThinCats”	means ThinCats Group Limited;
“ThinCats Acquisition”	has the meaning given to it in section 3.3 of Part IV (<i>Business Overview</i>);
“Thought Machine”	has the meaning given to it in section 8.2.2 of Part XI (<i>Additional Information</i>);
“Timeshare Provision”	has the meaning given to it in section 5.2.17 of Part VIII (<i>Operating and Financial Review</i>);

“TML”	means The Mortgage Lender Limited;
“UK Commission Delegated Regulation”	means the Commission Delegated Regulation (EU) 2019/980 as it forms part of retained E.U. law as defined in the EUWA 2018;
“UK Corporate Governance Code”	means the UK Corporate Governance Code published by the Financial Reporting Council, as in force at the date of this Registration Document;
“UK CRD IV”	means the UK law and regulatory rules implementing E.U. directive 2013/36;
“UK CRD V”	means the UK law and regulatory rules implementing E.U. directive 2019/878;
“UK CRR”	means Commission Delegated Regulation (EU) No 575/2013, as amended and as it now forms part of the domestic law of the UK pursuant to the EUWA 2018;
“UK GDPR”	including the General Data Protection Regulation (EU) 2016/679 as it forms part of retained E.U. law as defined in the EUWA 2018;
“UK Prospectus Regulation”	means Regulation (EU) 2017/1129 as it forms part of retained E.U. law as defined in the EUWA 2018;
“U.S. Securities Act”	means the U.S. Securities Act of 1933, as amended from time to time;
“VAT”	means value added tax as imposed pursuant to the Value Added Tax Act 1994 or any similar tax imposed or levied, whether in the UK or elsewhere, in substitution for or in addition to that value added tax; and
“Wrench”	means the UK Supreme Court’s decision in Hopcraft and another v Close Brothers Limited; Johnson v FirstRand Bank Limited (London branch) t/a MotoNovo Finance and Wrench v FirstRand Bank Limited (London Branch) t/a MotoNovo Finance [2025] UKSC 33.

