Wesleyan Bank Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered number 2839202

Contents

Strategic report

The Directors present their Annual Report, including the Strategic Report, Directors' Report and Statement of Directors' responsibilities, together with audited financial statements and Auditor's Report for the year ended 31 December 2022.

Hampshire Trust Bank plc (HTB)

As reported in last year's Annual Report, in October 2021, the Board of the Wesleyan Assurance Society (WAS) signed a Share Purchase Agreement (SPA) with HTB for the sale and purchase of the entire issued share capital of Wesleyan Bank Limited (Bank).

Following the receipt of regulatory approval for the Change of Control, the sale completed on 28 February 2022 and ownership of the Bank and its subsidiaries transferred to HTB. The move saw 112 employees of the Bank transfer to the HTB group with effect from 1st March 2022.

Principal activities

The principal activities of the Bank continue to be the provision of banking services, primarily personal deposit taking, commercial and personal lending. The Bank is authorised under Part 4A of the Financial Services and Markets Act 2000 to take deposits and is regulated by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority (FCA).

Strategic business review

Following the change in ownership, HTB completed a strategic review to identify how best to integrate the Bank's business lines into HTB's business and capital planning process.

The strategic business review took account of certain conditions included in the SPA and concluded that:

- The SPA and Brand License agreement agreed with WAS, included key constraints which meant new business would not, after a certain agreed date, be written under the Wesleyan Bank Limited brand.
- HTB would leverage the Bank's broker relations in HTB Asset Finance to generate new business.
- The Bank would migrate the economic interest and operations of its Block book to HTB.
- The Bank would run off the books for Acquisition Finance, Asset Finance and Point of Sale products.
- The Bank would continue brokering Direct sales, although a subsequent decision was made in December 2022 to cease Direct Sales activity.
- The operating model impact of the above would see a reduction in the number of Bank employees.

Business review

Following the acquisition by HTB, the Bank adopted International Financial reporting Standards (IFRS) as the basis for preparing its financial statements. The transition to IFRS was implemented from 1 January 2022, with the date of transition 1 January 2021. The financial statements and prior year comparatives have been restated accordingly.

During the year, the Bank delivered a strong underlying commercial performance, recognising net operating income of £21.4m (2021: £19.8m), whilst maintaining effective management of its loan portfolios and retail deposit customers. After seeing an increase in costs, primarily due to HTB integration activities, the Bank made a Loss after taxation for the year of £1.2m (2021 restated loss after tax: £2.0m).

Despite a reduction in the Bank's loans and advances to customers, net interest income for the year increased to £19.1m (2021 restated: £16.7m) being the positive impact of a higher net interest margin (NIM), which increased to 3.8% (2021: 2.7%), due to the positive net impact of Bank Base Rate (BBR) increases across the loan and customer deposit books.

Administrative costs increased to £19.1m (2021 restated: £14.4m) due to integration related costs, including severance costs and cost recharges passed through to the Bank from HTB.

During the year the Bank experienced strong loan performance across all lending classes, evidenced by low levels of arrears and defaults.

The adoption of IFRS means that the Bank now estimates expected credit losses referencing several different calculation components, including, but not limited to, changes to customers' credit risk ratings, probabilities of customer default and forward looking macro-economic scenarios. Despite the Bank's strong loan performance, this methodology switch from the previously adopted FRS102 incurred loss framework, which required banks to recognise credit losses only when evidence of a loss was apparent, has resulted in an increase in loan loss provisions. The Bank recorded an impairment loss charge for the year of £1.9m (2021 restated: £6.3m).

New loans and advances to customers reduced by 60% to £48m (2021: £119m) reflecting the cessation of new business being accepted following the acquisition. In accordance with the SPA, the Bank honoured customer drawdown requests in relation to lending commitments that had been made to customers, but not yet drawn, prior to the acquisition. No further lending commitments existed beyond 1st October 2022.

Customer deposit balances fell by 38% to £253.7m (2021: £412.1m). Due to the post-sale branding restrictions, no new customer deposits were accepted after the acquisition. Therefore, the Bank's customer deposits book is in run-off and funds are now returned to customers upon request, or on the maturity of fixed rate term products. Customer numbers have fallen from around 11k at the start of 2022 to around 9k at the end of the year.

The Bank and HTB have a Domestic Liquidity Sub-Group and Core UK Group waiver in place from the PRA and manage liquidity on a group basis. As a result, the Bank has deposited its liquid assets with HTB to manage at a group treasury level. Liquidity is therefore a group requirement and calculated on a group basis. To support the Bank's post-sale funding requirements, an intra-group loan facility with HTB was put in place immediately upon completion of the acquisition. This agreement aims to ensure that the Bank has access to sufficient liquidity to cover ongoing operational, regulatory, and funding requirements as required.

As part of effecting an orderly and efficient wind-down of the Bank, the Board approved a share capital reduction, via a reduction in the nominal value of each share of the issued share capital, to create sufficient distributable reserves that would enable future dividend payments to HTB.

Future Developments

HTB

Following the acquisition by HTB, the Bank's Board agreed to pursue a dividend policy whereby surplus capital is extracted to HTB as it becomes available, dependent on the status of the controlled run-off of the loan book, and subject to it receiving sufficient comfort that the Bank will continue to meet regulatory capital requirements at all times. Further details on dividends are disclosed on page 17 and in note 37.

Section 172 of the Companies Act 2006

This section of the strategic report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when performing their duty.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and, the need to act fairly with members of the company.

The Directors have given careful consideration to the factors set out above in discharging their duties under section 172 with respect to the Bank's stakeholders and its reputation.

The Bank was acquired by HTB on 28 February 2022 and the purpose of the Bank became the orderly and efficient run-off of its business activities and the maximisation and transfer of value to HTB. From this point onwards, the Director's obligations became to act in the way he or she considers, in good faith, would be most likely to promote the stated purpose of the Bank. In this context, the Directors have had regard to the following matters:

- **Customers** – The Bank is not taking on new customers but recognises the importance of ensuring that it maintains high standards of customer service during the run-off. In this regard the Board scrutinises run-off plans to ensure that fair treatment of customers and positive customer outcomes are central to any run-off plans.
- **Employees** – Employees are fundamental to the success of the delivery of the Bank's strategy.

  In the context of the run-off, the Board has since the acquisition been very focused on ensuring that it retains the right employees through a combination of financial incentives, career progression opportunities and working environment. Weekly announcements were implemented of internal vacancies and promotion opportunities to encourage Bank staff to seek permanent roles within HTB.

  HR matters are overseen from a Group perspective but to ensure that there was the right focus on the needs of the Bank's staff, there was the appointment of an HR Business Partner solely dedicated to the Bank's staff and their changing needs and regular visibility and engagement across all sites.

  The Board has also been focused on ensuring the fair treatment of employees whose roles were at risk or became redundant following the acquisition and change in the Bank's strategy.

  Following the pandemic and a return to work, the Group operates a more flexible working environment and recent activities to support staff have focused on wellbeing, mental health and financial wellbeing initiatives. This is in addition to launching a more focused approach to charitable giving, volunteering and support.

  During 2022, the Chief Executive Officer (CEO) and the Group Executive Committee (GEC) have regularly communicated with employees on key financial, strategic and operational matters via email, video updates and Q&A sessions.

  A staff 'Pulse Survey' was carried out to enable the Executive and the Board to understand the views of staff across a range of topics, including the Bank and communication, enablement and empowerment, and internal communication and this has helped inform areas of target for improving the employee value proposition.

  The CEO launched the 'Let's Talk' initiative in which staff could participate, on a voluntary basis, in small informal group discussions directly with the CEO to discuss their views on a range of topic covering:

  - Strategy
  - Vision and values
  - Reward, recognition and remuneration
  - Objective setting and performance management
  - Communication
  - Work / life balance and working styles
  - Personal development and career planning
  - Good ideas

- **Regulators** – The Bank operates in a highly regulated market, and as such is subject to the regulation of both the PRA and the FCA. The Board has an intense focus on its own responsibilities and those of the relevant Senior Management Function ("SMF") responsibility holders. The Board is also focused on ensuring that the Bank embeds high standards of conduct into its service delivery and culture, as well as considering correspondence and publications from the regulatory sphere which may have an impact on this.

The Bank's Board seeks to maintain an open and active dialogue with the Group's regulators and the acquisition of the Bank has seen an increase in engagement including active engagement in relation to run-off plans.

- **Shareholders** – The Bank's sole shareholder is HTB. The Bank and HTB share a common CEO, CFO as well as one Non-Executive Director, so accordingly the views and interests of the Bank's shareholders are well understood.

- **Community and Environment** – Following the Bank's acquisition by HTB, the Bank participates in the Group's work in relation to Environmental, Social and Governance (ESG) and Climate Change.

  During 2022, the Group's internal Climate Change Steering Group broadened its remit to encompass oversight of ESG matters more generally and ensures reporting of ESG matters via the GEC to the Board. The steering group formulated a comprehensive Environmental and Sustainability policy which was approved by the Board and has been rolled out across the Group.

  In August 2022, the Group achieved carbon neutrality. This is an important milestone on the Group's road to net-zero.

  In October 2022, the Group implemented Neighbourly, an award-winning platform that connects good causes with businesses and helps those businesses make a positive impact in their communities by donating volunteer time and money. The Group's staff are given additional paid leave by the Group and encouraged to participate in good causes that positively impact the community. The uptake has been very positive with both individuals and teams within the Group taking part in volunteering days that positively impact the community.

- **Suppliers** – The Bank's business is supported by a number of suppliers. Following the acquisition, the Bank adopted the Group's supplier management policies and processes. As part of the Group's operational resiliency activity, the Group has been enhancing internal controls regarding how the Group sources and manages its supplier relationships. An Annual Service Review also takes place every 12 months, and more often where appropriate, with results documented to monitor and ensure a high standard of service is continuing to be received. The Group's supplier onboarding process includes a rigorous risk assessment, financial checks, due diligence on data and security controls as well as human rights policies.

  The Board recognises that the Group's suppliers are a key part of the service the Group provides to its customers and are committed to treating them fairly on payments, as well as considering the impact of any run-off plans on business relationships.

  The need to foster sustainable business relationships with suppliers is also addressed by obtaining confirmations from suppliers relating to compliance with modern slavery, bribery, and corruption laws. Furthermore, the Board has overseen the approval and implementation of the Group's Modern Slavery Statement and its own Anti-Bribery and Corruption Policy.

- **Reputation** - The desirability for the Bank, as part of the Group, to maintain a reputation for high standards of business conduct, is a core focus of the Board, in particular on any reputational impact of any run-off plans. The Group's statement of Vision, Values and Culture all underpin a desire for high standards of business conduct. The Group's stated Mission is to deliver positive customer outcomes, rewarding careers and greater shareholder value through a high-performing culture, grounded in excellence and integrity. This is supported by a proposition of being open, responsive, consistent, clear, trustworthy, expert, pragmatic, flexible and innovative and is further supported by behaviours including, for example, an expectation that the Group's staff will approach everything they do with discipline and set high standards.

Climate Change

Following the transfer of ownership, the Bank's approach to Climate Change is driven by HTB Group.

Set out below is an overview of the HTB approach and strategy towards Climate Change that the Bank has adopted and followed.

HTB Group recognises that Climate Change is a significant strategic risk and a major challenge for the global economy and society. During 2022, the Climate Change risk agenda retained a sharpened focus and climate change risk has continued to be embedded within the wider risk management framework (RMF). Progress has been made in enhancing a risk management framework and oversight of progress against the Board approved plan has been maintained. HTB Group's response to developing a proportionate approach to Climate Change continues informed by supervisory guidelines and published regulatory feedback.

HTB Group closely monitor Climate Change policy, regulatory guidance and industry advances relating to climate change, considering both transition and physical risks. HTB Group assess the impact of these changes and advances on our business model and risk profile, and consider possible impacts on its reporting obligations and its reputation. HTB Group continue to undertake effective horizon scanning to provide early visibility of Climate related financial services issues, including broad alignment with UK Finance activity.

Governance

SMF responsibility for management of climate risk lies with our Group Chief Risk Officer (CRO). Delivery of our Climate management framework is coordinated by the Risk function and progressed in collaboration with colleagues from across the business. To support this oversight and management of climate risk, we have developed and continue to enhance Climate and ESG metrics and KRIs via our risk committee structure, allowing senior management to monitor progress.

Climate Change is a standing Group Executive Committee agenda item and features regularly on the Board and Board Risk Committee agendas. Board Risk Committee discussions this year have included how HTB progressed towards achieving Carbon Neutrality in August and the approach adopted working with our strategic partners, Carbon Footprint. The Board Risk Committee monitors progress against the risk management framework plan where further assessment activity will highlight both physical and transitional risk within existing product portfolios. 2022 saw the first climate change stress test completed as part of the annual ICAAP exercise, focusing on impact of the Bank of England CBES scenario reported in May.

Risk management

The risks of climate change to the HTB Group are twofold. Firstly, through physical risks associated with changes in climate and weather (such as a greater incidence of storms, floods, and sea level rises) and secondly, through the economy's response to climate change and transition to a low carbon economy. These transition risks may be generated through climate-related policy and regulations, technology development and changes in customer sentiment and behaviour. Climate risks, arising through either one or a combination of these channels, cut across HTB's existing risk types – such as credit risk, market risk, operational risk, and reputational risk. HTB Group has updated its risk management framework policy to include Climate risk as a Principal risk.

Data sources to inform climate change risk KRIs and metrics from both internal and external sources across the portfolio continue to develop and enhance the existing reporting of such metrics.

Scenario Analysis

Stress test scenarios in the 2022 plan continue to be completed thus informing HTB Group's susceptibility to Climate Change risk focusing on the potential physical and transitional risks the lending portfolios face.

HTB Group will continue to build capability and robust data streams to execute scenario analysis.

Sustainability

HTB Group is committed to acting in a sustainable and responsible way in respect to all of its business operations.

Sustainability encompasses three ESG "Factors" covering a wide range of goals:

- Environmental – reducing our impact on global temperature increases, limiting GHG emissions and reducing pollution.
- Social – embracing diversity internally and externally and contributing to charitable activity in both the communities The Bank serves and helping disadvantaged communities.
- Governance – following good governance practices, including sound management structures, maintaining positive employee relations, fair remuneration for our employees and complying with all laws and regulations.

The Bank monitors exposure to ESG risk, including diversity, equal pay and opportunities via HR and escalates agenda items across the Group's risk committee structure and Board. Our People related policies provide guidance to staff to support local social initiatives and charity organisations via volunteering / involvement in local community projects. The Climate Change Steering Committee broadened its scope to become the ESG Steering Group in February 2023 and has enabled clearer consideration of all three ESG factors under robust governance.

Progress made towards our ESG goals in 2022

During 2022 continued progress was made towards HTB Group's goals and ambitions for ESG:

- HTB Group became certified as a Carbon Neutral organisation in August, working with Carbon Footprint to measure and report our total carbon emissions and offset these by supporting an environmental project to protect the Amazon rainforest in Brazil.
- Board Training was delivered in January focused on providing not only insight into what the broader environment pertaining to peers, regulators, and government, but also on how HTB should respond to these challenges to ensure the Bank remain within our strategic parameters of maintaining effective climate change risk management and disclosure commitments.
- Continued embedding and establishment of the ESG Steering Group with senior leader membership to ensure ESG factors such as climate change risk are being suitably managed and to provide challenge to material changes to both risk management and the commercial opportunities they represent.
- Business lines are continuing to examine their asset portfolios to better understand their exposure to Physical and Transitional risks over the coming years. Particular attention has focused on physical flood risk and EPC rating coverage across the mortgage portfolio to help Landlords improve their properties energy efficiency positions across their portfolios.
- Flood risk assessment continued via a post code matching tool laid across HTB Group's Specialist Mortgage portfolio, including Buy to Let properties. The percentage match of properties with their EPC ratings and linkage to areas of high flood risk potential is increasing. Work on the transitional risk assessment continues concurrently with the review of EPC ratings across the property portfolio feeding the assessment and impacts on properties with a lower than 'C' EPC rating and the opportunities available to help customers or private landlords in this space to improve the efficiency of their properties.
- The 2022 ICAAP round included a Climate Change scenario, covering the potential impacts for HTB if Early, Late or No action at all is taken to achieve a net zero carbon emissions economy by 2050. The results a relatively benign impact for HTB Group. An additional two scenarios will be completed this year assessing the impact of the physical risk of flooding on HTB Group's Specialist Mortgage portfolio and the transitional risk of government policy loading carbon taxes on non-climate friendly assets.
- Identification of KRIs and metrics tracking whether transitional and physical risks are heating or cooling as The Bank progress towards 2030 and beyond. These are continuing to develop in support of the agreed climate change risk appetite statement.
- An Environmental & Sustainability policy has been published covering the HTB Group.

- Climate Change risk continues to be rolled out into the Group's policy framework with relevant, existing polices updated with Climate Risk coverage including physical and transitional risks such as flood and EPC ratings for properties and asset financing now focused on environmentally friendly or sustainable asset funding.

Our journey towards the TCFD

HTB Group plans to enhance the disclosure capability, in even closer alignment with the recommendations of the Taskforce for Climate related Financial Disclosures ("TCFD") and will share a more advanced summary in HTB's 2023 *annual report*.

Future developments

In accordance with the PRA Supervisory Statement (SS3/19), which sets the ground rules for the regulatory supervision of climate risk management, a number of deliverables have been produced and will continue to be built out in 2023. These include:

- Continued refinement of data sources to inform both HTB Group's current exposure to climate change risk within the portfolio and measurement of progress against the established risk appetite statement.
- Establish a Net Zero emissions strategy and target date for HTB Group, based on a roadmap of activities to be completed during 2023.
- Build out capability to measure the carbon emissions generated from financed assets across the HTB Group portfolio.
- Expand the breath and range of ESG /Climate Change metrics and KRIs reported via risk committees to the Board.

Principal risks and uncertainties

The principal risks the Bank faces, and how we mitigate the risks, are described below. These should not be regarded as a comprehensive list of all the risk and uncertainties faced by the Bank but rather a summary of the primary risks which have the potential to significantly impact the achievement of strategic risks:

Principal Risk	Definition	How we mitigate risk
Credit Risk	The risk that a borrower or counterparty fails to pay the interest or repay the principal on a loan on time.	• We have security and where appropriate, guarantees to support our lending. • We have maintained a diversified portfolio by originating loans in markets we understand and by limiting concentrations by size proportionate to our own balance sheet size and position in the market, by asset class, collateral type, geography, sector and (where appropriate) by sub-sector. • Credit decisions have been made using a combination of due diligence, reviewing Credit Agency reports, reviewing financial information, credit scores

		and using the expert opinion of our underwriters. • We are part of the HTB Group Credit Risk Management Framework that includes detailed lending policies, underwriting manuals and a defined problem debt management process. • We operate under a HTB Group Treasury policy that only allows for deposits to be placed with large Banks or invested in High Quality Liquid Assets in line with PRA guidance on Credit Ratings. • Lending performance against Risk Appetite is monitored regularly.
Capital Risk	The risk that the Bank will have insufficient capital to cover unexpected losses, meet regulatory requirements or support growth plans.	• We operate within a HTB Group Capital Planning Framework which requires us to maintain appropriate levels of capital in a range of stressed scenarios. • We set a prudent Risk Appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. We meet, as a minimum, all regulatory prescribed ratios. • We monitor current and forecast levels of capital against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly. • Capital forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process. • ICAAP stress testing is well embedded and used to inform risk appetite and business strategy.
Liquidity, and Funding Risk	**Liquidity** – The risk that the Bank is unable to meet its financial obligations as they fall due; smooth out the effect of maturity mismatches; or maintain public confidence.	• We set a prudent Risk Appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. We meet, as a

	Funding – The risk that the Bank is unable to continue to fund future liquidity requirements at an affordable price.	minimum, all regulatory prescribed ratios. • We monitor current and forecast levels of liquidity against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly. • Liquidity forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process. • ILAAP stress testing is well embedded and used to inform risk appetite and business strategy. • We maintain liquidity buffers and contingency funding plans against various stressed liquidity scenarios.
Market Risk	The risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments counterparties and/or undermines market integrity.	• We manage exposures to a very low level against our capital and earnings positions. • We monitor the credit spread risk in the liquid asset portfolio at ALCO. • We have no appetite for FX risk.
Operational Risk & Resilience	**Operational Risk -** The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including *legal and regulatory risk.* **Operational Resilience –** Initiatives that expand business continuity management programs to focus on the impacts, connected risk appetite and tolerance levels for disruption of product or service delivery to internal and external stakeholders.	• We ensure all staff understand and follow the HTB Group Operational Risk Management Framework • We provide training and guidance to first line staff on aspects of the Framework via both the Risk Champions forum and formal training sessions. • There are separate HTB Group policies covering key aspects of the ORMF, including, Managing Corrective Action Plans, RCSA management and Risk Events and Financial losses. • Senior Management identify and assess operational risks across their businesses and assess the effectiveness of controls that mitigate those risks using a Risk and Control Self-Assessment (RCSA) process.

		• We operate under a defined HTB Group Operational Resilience Policy • We have defined our recovery time and point objectives for our business processes where a sustained operational failure would result in customer detriment. These are linked to the recovery time objectives. • We monitor the operational risk profile alongside proactive recording/management of events, losses, assurance finding resolutions and incidents.
Regulatory & Conduct	**Regulatory** – The risk of regulatory or legal sanctions, material financial loss, or loss of reputation as a result of a failure to comply with applicable laws, codes of conduct or standards of good practice. **Conduct** – The risk that the business strategy, the culture, and the manner in which the business is run, create unfair customer outcomes and detriment to customers and/or undermines market integrity.	• We operate within a HTB Group Conduct and Compliance Risk Management Framework supported by a number of policies and procedures that set out how we manage these risks and the minimum standards that we expect. • Our Business lines are primarily responsible for the management of these risks, but with strong oversight from the 2nd Line Compliance function • Senior Management identify and assess conduct, compliance and financial crime risks across their businesses and assess the effectiveness of controls that mitigate those risks using a Risk and Control Self-Assessment (RCSA) process. • New and emerging regulatory driven changes are overseen through our horizon scanning process. • We complete regular and themed assurance testing of our activities to ensure that we are operating within our Board approved risk appetite

		and prevailing legal and regulatory requirements. • We operate a programme of staff training and awareness via our regulatory reading programme.
Climate Risk	The threat to HTB Group's business from physical or transition climate risks.	• We monitor exposure to Climate risk and escalate agenda items across the Group's risk committee structure and Board. • HTB Group closely monitor Climate Change policy, regulatory guidance and industry advances relating to climate change, considering both transition and physical risks. HTB Group assess the impact of these changes/advances on its Business model and risk profile and consider possible impacts on its reporting obligations and our reputation
Transversal Risks – Reputational and Climate	**Reputational Risk** – The risk that the Group's people, processes or systems create outcomes that create reputational damage to HTB. **ESG Risk** – The threat to HTB Group's operations and financial standing as a result of poor Environmental, Social or Governance standards operated across the Group.	• Reputational impact is used to quantify risk and impact. • Consideration of reputational risk is embedded within our risk management. • HTB Group has an ESG steering group in place to oversee the development and embedding ESG into our day-to-day risk management and processes. • HTB Group monitor exposure to ESG risk, including Diversity, Equal Pay and opportunities via HR and escalate agenda items across the Group's risk committee structure and Board. • HTB Group people related policies provide guidance to staff to support local social initiatives and charity organisations via volunteering involvement in local community projects.

Governance framework

Following the acquisition by HTB, the Bank is governed under a single overarching HTB Group Governance Framework. The single Group Governance Framework ensures:

- That there are appropriate and effective Group governance arrangements in place and that the arrangements support HTB and the Bank's application of The Wates Principles*.
- An appropriate balance between the governance requirements of the Bank, as a regulated Bank in its own right, to make effective decisions for itself as well as the importance of HTB having effective oversight of the Group and to ensure that the Group achieves the orderly and efficient wind-down of the Bank's business in line with the Regulatory Business Plan approved by the PRA and FCA.
- That HTB senior executives who hold SMF responsibility for the Bank are able to effectively discharge their responsibilities.
- That there is a framework that is easily understood, practically accessible and capable of quick reference.
- A streamlined approach which utilises the most appropriate resources within the Group, ensures consistency of approach while avoiding duplicated or wasted cost, time and effort across the Group where appropriate.

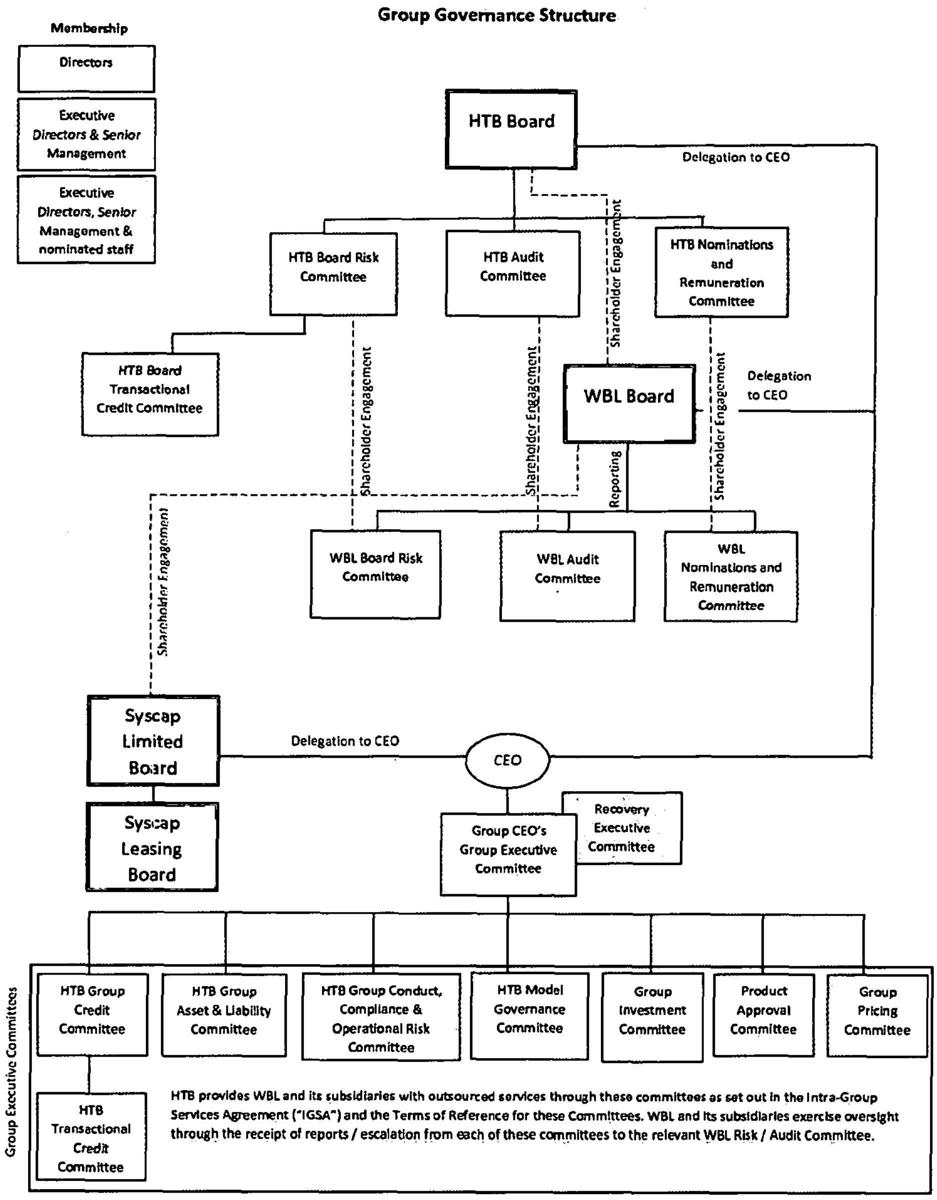
The diagram below sets out the governance arrangements and oversight of the Group, however, in summary the Governance Framework is as follows:

- HTB and the Bank have separate Boards and Board Committees (Audit, Risk and Nomination and Remuneration Committees) which are comprised of experienced executive Directors, non-executive Directors and independent non-executive Directors. The Bank and HTB have common executive Directors and the Chairman of the Bank is also an independent non-executive of HTB but other non-executive Directors are different.

- The Chair of the Bank's Board engages with the HTB Board following each Bank Board meeting to inform HTB on the Bank's performance, strategy and to understand HTB's views on governance and performance against the strategy.

- To ensure consistency of approach across the Group, to make best use of group resources, to reduce inherent risk in the run-down of the Bank's business activities and to support SMF responsibilities, the Bank has disbanded its own executive level committees and outsourced those activities to HTB under the Intra-Group Services Agreement. HTB undertakes these outsourced activities though its own executive level committees, namely: Credit Committee; Asset & Liability Committee; Conduct, Compliance and Operational Risk Committee, Model Governance Committee, Investment Committee, Pricing Committee and Transactional Credit Committee. Terms of Reference for the HTB Committees are written to ensure that these activities are effectively performed and to ensure there is effective escalation and reporting to the Bank's Board and Board Committees so that the Bank's Board has effective oversight of the activities and risk.

**Following the acquisition, and to align with HTB, the Bank adopted the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") published by the Financial Reporting Council in 2018. Applying the Wates Principles has ensured that the Bank, as part of the Group, has continued to enhance its corporate governance standards for the benefit of all of its stakeholders; ensuring that it is well managed and aligned behind a clear purpose.*



The Group's Board Structure

The Group's governance structure is designed to ensure the effective running of HTB and the Bank in accordance with the legal and regulatory obligations and in line with established principles of good conduct and practice. HTB and the Bank apply The Wates Corporate Governance Principles for Large Private Companies and each of HTB and the Bank are led by separate Boards comprising a Non-Executive Chairman, Non-Executive (Shareholder representative) Directors, independent Non-Executive Directors and Executive Directors. Each Board approves the strategy and direction of the business, sets the policies and risk appetite, monitors risk management, financial performance and reporting and ensures that appropriate and effective succession-planning arrangements and remuneration policies are in place. In the case of the Bank, this is done in the context of its express purpose, which is the orderly and efficient run-down of its business and the maximising and transition of value to HTB in line with the Regulatory Business Plan approved by the PRA and

FCA. Directors are appointed by the Board. Non-Executive Director appointments can be terminated at any time, without notice or payment of compensation.

Board meetings are held normally nine times a year for HTB and six times a year for the Bank. This enables Directors to regularly review strategy, the operations and the results of the business, and to discharge their duties within a framework of prudent and effective controls. As set out above, the Chair of the Bank's Board engages with the HTB Board following each Bank Board meeting to inform HTB on the Bank's performance again strategy and to understand HTB's views on governance and performance against the strategy.

As at the date of this document, the Boards of HTB and the Bank comprise the following individuals.
(* denotes Directors of both HTB and the Bank):

HTB	Wesleyan Bank
Robert Sharpe (Chairman - Independent Non-Executive Director)	*Martyn Scrivens (Chairman Non-Executive Director)
*Martyn Scrivens (Independent Non-Executive Director)	Bill Gray (Independent Non-Executive Director)
Dominic Slade (Non-Executive Director)	Jeremy Brettell (Independent Non-Executive Director)
Richard Price (Non-Executive Director)	Alex Leicester (Non-Executive Director)
*Matthew Wyles (Chief Executive Officer)	*Matthew Wyles (Chief Executive Officer)
*Tim Blackwell (Chief Financial Officer)	*Tim Blackwell (Chief Financial Officer)
Richard Sommers (Independent Non-Executive Director)	
Julia Warrack (Independent Non-Executive Director)	

Each of the HTB Board and the Bank's Board own their own ICAAP and are responsible for ensuring the process is followed through on a structured basis. Each of the Bank's Board and HTB Board are responsible for approving their ICAAP once complete. In addition, HTB oversees the overall ICAAP process in respect of the Group. Each of HTB's Board and the Bank's Board have detailed knowledge of, and experience in, the financial services sector.

Key Performance Indicators

	2022	2021
		Restated
	£'000	£'000
Operating income (net of operating lease depreciation)	19,637	17,708
Loss before tax	(1,319)	(2,690)
Loans and advances to customers	407,839	476,875
Total deposits	253,748	412,146
Net interest margin (%)	3.8%	2.7%
Impairment (credit)/charge (as % book)	0.5%	1.3%
Liquidity (%)	18.4%	21.7%
Liquidity Coverage Ratio (%)	342%	1335%

Capital

The table below sets out the Bank's capital resources and ratios:

	2022	2021
	£'000	£'000
Core Tier 1 capital resources	72,262	94,115
Tier 1 capital resources	72,262	94,115
Core Tier 1 ratio	22.1%	21.7%
Tier 1 ratio	22.1%	21.7%

Core Tier 1 ratio / Tier 1 ratio

The Tier 1 capital ratio is the ratio of the Bank's core equity capital to its total risk weighted assets. Risk weighted assets are the total of all assets held by the Bank weighted by the credit risk according to a formula set out in the Capital Requirements Regulations.

Leverage ratio
The Basel III leverage ratio expresses the Bank's Tier 1 capital as a proportion of its total exposures. For this purpose, total exposures include all on balance sheet exposures net of specific provisions and other accounting valuation adjustments.

The level of capital held throughout the year is comfortably in excess of regulatory requirements. The Bank's leverage ratio at the end of December 2022 was 14.7% (2021: 15.3%)

The Strategic Report has been reviewed and approved by the Board and signed on its behalf by:

Tim Blackwell (Jul 27, 2023 20:37 GMT+1)

Timothy Blackwell
Chief Financial Officer

Directors' report

The Directors present their annual report and audited financial statements of the Bank for the year ended 31 December 2022.

Results and dividends

During the year, the Bank delivered a strong underlying commercial performance, recognising net operating income of £21.4m (2021: £19.8m), whilst maintaining effective management of its loan portfolios and retail deposit customers. The Bank made a Loss after Tax of £1.2m (2021 restated: £2.0m) after seeing an increase in costs, primarily due to HTB integration activities.

On the 30 November 2022, the Directors approved the payment of a £20m first interim dividend (2021: £nil) to HTB.

Subsequent to the year end, the Directors approved the payment of £22.5m second interim dividend (2021: £nil) to HTB.

Going concern

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

In making this assessment, the Directors have considered the current balance sheet, expected run-off projections, expected credit losses, profitability, cash flows and capital resources. The Bank continues to maintain capital and liquidity at levels within the minimum regulatory requirements throughout the going concern period.

Accordingly, the Directors are confident that the Bank has adequate resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and, therefore, have adopted the going concern basis in preparing the financial statements.

Donations

The Bank made no political or charitable donations during the year (2021: nil)

Financial Instruments

Details of financial instruments are contained in note 31.

Directors and Directors' interest

The Directors of the Bank who were in office during the year and up to the date of signing the financial statements were as follows:

M Bryant (Resigned 28 February 2022)
J Brettell
W Gray
A D'Arcy (Resigned 30 June 2022)
R Clare (Resigned 28 February 2022)
M Wyles (Appointed 28 February 2022)
T Blackwell (Appointed 28 February 2022)
A Leicester (Appointed 28 February 2022)
M Scrivens (Appointed 28 February 2022)

No director had any interest in the shares of the Bank at 31 December 2022 (2021: £nil).

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Bank also purchased and maintained throughout the financial year Directors' and officers' liability insurance in respect of itself and its Directors.

Future developments

Future developments are covered in the Strategic report.

Corporate responsibility

The Bank's principal focus is on its customers, however the importance of having responsible policies for employees, suppliers and other stakeholders and the community is recognised and the potential impact of key corporate responsibility issues is considered within the Bank's decision-making framework. This is described in more detail in the Strategic report.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Independent auditors

During the year, the Boards of both HTB and the Bank recommended KPMG LLP ("KPMG") be appointed as the auditor for all entities within the Group, except for the subsidiary entities within the Group adopting the exemption from audit under section 479A of the Companies Act 2006.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LL will therefore continue in office.

Board approval

The Statement of Director's responsibilities in respect of the annual report and financial statements on pages 27 to 86 were approved by the Board of Directors who authorised Timothy Blackwell to sign the financial statements on behalf of the Board.

Tim Blackwell (Jul 27, 2023 20:37 GMT+1)

Timothy Blackwell
Chief Financial Officer

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether the financial statements are prepared in accordance with UK-adopted International Accounting Standards;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and,
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the members of Wesleyan Bank Limited

1. Our opinion is unmodified

We have audited the financial statements of Wesleyan Bank Limited ("the Company") for the year ended 31 December 2022 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes, including the accounting policies in note 6.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 2 September 2022. The period of total uninterrupted engagement is for the one financial year ended 31 December 2022.

We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities.

No non-audit services prohibited by that standard were provided.

Overview	
Materiality: financial statements as a whole	£645,000 0.92% of net assets
Key audit matters	
Risks	Expected credit losses on loans and advances to customers
	The impact of IT access controls and change management on the effectiveness of the control environment

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk
Expected credit losses on loans and advances to customers (£10.3 million) *Refer to Note 6.8 (accounting policy) and Note 26 (financial disclosures).*	**Subjective estimate:** The measurement of expected credit losses ('ECL') involves significant judgements and estimates with a high degree of uncertainty. The risk of material misstatement of ECL is heightened in the current year due to the increased judgement and estimation uncertainty as a result of the ongoing economic uncertainties. The key areas where we have identified greater levels of management judgement and therefore increased levels of audit focus in the estimation of ECL are: — **Model estimation**: Inherently judgemental modelling is used to estimate ECL, particularly in determining the probability of default ('PD') and loss given default ('LGD') in certain portfolios. — **Stage allocation criteria**: The criteria selected to identify a significant increase in credit risk ('SICR') is a key area of judgement within the Company's ECL calculation as these criteria determine whether a 12 month or a lifetime provision is recorded. — **Post Model Adjustments ('PMAs'):** Management makes adjustments to the model-driven ECL results to address issues relating to model responsiveness or emerging trends relating to the current economic environment as well as risks not captured by the models. Such adjustments are inherently subjective and significant management judgement is involved in estimating these amounts. — **Multiple economic scenarios**: IFRS 9 requires the Company to measure ECL on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determine the economic scenarios used and the probability weightings assigned to each economic scenario. In the current year, market reaction towards a high interest rate environment and cost of living pressures heightens the level of subjectivity in this judgement. — **Individually assessed stage 3 loans**: Individually assessed stage 3 provisions are inherently judgemental and a highly subjective area that may create the potential for material misstatement of the ECL estimate, with reference to forward looking assumptions (including bespoke recovery assumptions over collateral) applied to cash flow forecasts and the weightings applied to the different scenarios in certain portfolios. The effect of these matters is that, as part of our risk assessment, we determined that impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality and possibly many times that amount. **Disclosure quality** The disclosures regarding the Company's application of IFRS 9 are important in explaining the key judgements and material inputs to the IFRS 9 ECL results, as well as the sensitivity of the ECL results to changes in these judgements or management's assumptions, in light of the estimation uncertainty

	Our response
Expected credit losses on loans and advances to customers (£10.3 million) *Refer to Note 6.8 (accounting policy) and Note 26 (financial disclosures).*	We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: — **Our sector experience**: We critically assessed the assumptions inherent in the ECL models against our understanding of the loan portfolios, their recent performance and industry developments. This included benchmarking certain key assumptions against comparable lenders. — **Our economic expertise**: Our economists evaluated the appropriateness of the Company's forward economic guidance and the associated probabilities attached to the alternative scenarios against market data, our own independent assumptions and peer experience. — **Our credit risk modelling experience**: We utilised our credit risk modelling specialists in evaluating the ECL models. We independently reperformed and inspected the model code for certain components of the ECL model and used our knowledge of the Company and our experience of the industry in which the Company operates to challenge the appropriateness of the qualitative management overlay. — **Sensitivity analysis**: We evaluate the sensitivity of changes to judgemental assumptions, to critically assess the impact of alternative assumptions and identify those assumptions most significant to the estimate. — **Methodology choice**: We assessed the completeness and effectiveness of the SICR criteria and independently reperformed the application of management's staging criteria for certain portfolios. — **Tests of details**: For a sample of loans and advances we conducted credit file reviews to assess the appropriateness of the stage allocation and associated ECL estimate. — **Assessing transparency**: We critically assessed the adequacy of the disclosures regarding the degree of estimation uncertainty involved in arriving at the valuation and the accounting judgements made in determining the measurement basis and valuation. **Our results** — We made judgements in relation to unadjusted audit differences noted in the course of our procedures above. We concluded they did not materially misstate the measurement or disclosures of ECL on the related portfolio. — The results of our testing were satisfactory, and we considered the ECL charge, provision recognised and the related disclosures to be acceptable.

	The risk	Our response
The impact of IT access controls and change management on the effectiveness of the control environment	**Data capture:** As with many banks, the Company makes extensive use of IT for the processing and recording of transactions. In our testing of the general IT controls, we identified deficiencies in design of GITCs related to user access and change management. We consider IT user access and change management controls to be critical in ensuring that only approved changes to applications and underlying data are authorised and made appropriately. Moreover, appropriate access controls contribute to mitigating the risk of potential fraud or error as a result of changes to applications and data. As a result of the above deficiencies, we regard this area as a key audit matter owing to the additional work necessary to address the incremental audit risk. In line with many UK banks, the Company already has a program of work underway to improve its IT infrastructure. These plans now include firm commitments to remediate the aforementioned user access controls and change management deficiencies in the course of 2023.	Our procedures included: • **Control operation:** With the assistance of our IT specialists, we evaluated the design of the controls over the continued integrity of the IT systems that are relevant to financial reporting including general IT controls over user access (including controls over privileged access) and change management. We noted control deficiencies for which the Risks arising from IT could not be addressed and were unable to rely on IT controls. • **Extended scope:** We performed additional tests of detail as a result of the general IT control deficiencies. This work included manually re-performing certain system generated reconciliations, additional testing of system records to underlying source documentation, and increased sample sizes to reflect a lack of controls reliance. **Our results** Our testing identified weaknesses in the design and operation of user access and change management controls. As a result we expanded the extent of our detailed testing, as set out above, over and above that originally planned.

3. Our application of materiality and an overview of the scope of our audit

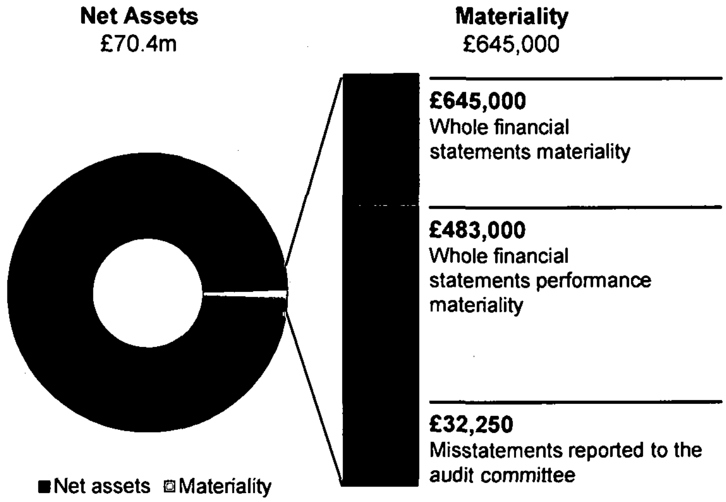
Materiality for the financial statements as a whole was set at £645,000, determined with reference to a benchmark of net assets, of which it represents 0.92%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% of materiality for the financial statements as a whole, which equates to £483,000. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £32,250, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality and performance materiality levels specified above and was performed by a single audit team.

The scope of the audit work performed was fully substantive as we did not rely upon the Company's internal control over financial reporting.



4. Going concern

The directors have prepared the financial statements 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 statements ("the going concern period").

We used our knowledge of the Company, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was an increase in the levels of expected credit losses due to estimation uncertainty, which could lead to insufficient capital resources to meet minimum regulatory capital requirements over the course of the next 12 months.

We considered whether these risks could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

Our procedures also included:

- Inspecting the Company's forecasting and liquidity plans to identify the key assumptions within these, and challenging the reasonableness of the assumptions and stresses applied, and comparing the accuracy of management prior projections versus actuals;
- Considering sensitivities over the level of available capital and liquidity indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; and
- Assessing the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Review of the Company's internal audit reports, and Board Minutes of the Company; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

On this audit we do not believe there is a fraud risk related to revenue recognition due to the non-judgemental nature of the majority of the company's revenue streams, the limited estimation uncertainty in EIR recognition and the lack of opportunity to manipulate revenue.

We also identified a fraud risk relating to ECL provisioning.

We performed procedures including:

- Identifying journal entries to test based on high risk criteria including manual journal entries posted to seldom-used accounts or by individuals who typically do not make journal entries, journals made to revenue accounts with unusual debit and credit combinations and journals containing specific key words, and comparing the identified entries to supporting documentation;
- Evaluating the design and implementation and operating effectiveness of relevant internal controls;
- Assessing significant accounting estimates for bias; and
- Substantive procedures to address the fraud risk.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity, conduct, anti-bribery, money laundering, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 19, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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

Richard Rawstron
Richard Rawstron (Jul 28, 2023 18:10 GMT+1)

Richard Rawstron
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
28 July 2023

Statement of comprehensive income

	Note	2022	2021 Restated
		£'000	£'000
Interest and similar income			
Interest income calculated using the effective interest method	*7*	**25,394**	21,333
Interest expense and similar charges	*7*	**(6,313)**	(4,614)
Net interest income		**19,081**	16,719
Operating lease income	*20*	**1,983**	2,240
Fees and commission income	*8*	**169**	194
Fees and commission payable	*8*	**(83)**	(191)
Other income	*9*	**262**	810
Operating income		**21,412**	19,772
Administrative expenses	*10*	**(19,074)**	(14,380)
Operating lease depreciation	*20*	**(1,775)**	(2,064)
Impairment gains/(losses) on loans and advances to customers	*26*	**(1,882)**	(6,348)
(Loss) / Profit on ordinary activities		**(1,319)**	(3,020)
Interim dividend received	*13*	**-**	330
(Loss) / Profit on ordinary activities before tax		**(1,319)**	(2,690)
Tax credit	*14*	**147**	668
Total comprehensive (expense) / income for the year, net of tax		**(1,172)**	(2,022)

Prior year figures have been restated for the effect of transition to IFRS, see note 36.

The above results derive from the run-off of the Bank's existing business.

The Bank has no recognised gains or losses other than those stated above and, therefore, no separate presentation of other comprehensive income has been included.

Statement of financial position

	Note	2022 £'000	2021 Restated £'000	1 January 2021 Restated £'000
Assets				
Loans and advances to banks	*15*	**48,006**	119,362	43,969
Loans and advances to customers at amortised cost	*17*	**407,839**	476,875	379,861
Loans and advances to parent company	*18*	**32,851**	-	-
Investment in subsidiaries	*19*	**500**	500	500
Property, plant and equipment	*20*	**2,636**	3,716	4,708
Right-of-use assets	*20/21*	**77**	403	534
Other assets	*22*	**4,112**	8,929	10,060
Deferred tax asset	*14*	**4,227**	4,606	3,603
Total assets		**500,248**	614,391	443,235
Liabilities				
Deposits by banks	*23*	**99,201**	98,531	13,000
Loans and advances from parent company	*24*	**72,032**	-	-
Customer deposits	*25*	**253,748**	412,146	330,042
Finance lease liability	*21*	**276**	407	538
Other liabilities	*27*	**4,593**	11,737	10,063
Total liabilities		**429,850**	522,821	353,643
Equity				
Share capital	*29*	**11,804**	118,040	114,040
Capital reduction reserve		**86,236**	-	-
Retained earnings		**(27,642)**	(26,470)	(24,448)
Total equity		**70,398**	91,570	89,592
Total equity and liabilities		**500,248**	614,391	443,235

The notes on pages 31 to 86 are an integral part of these financial statements.

Prior year figures have been restated for the effect of transition to IFRS, see note 36 for further details.

The financial statements on pages 27 to 86 were approved by the Board of Directors and were signed on its behalf by:

Tim Blackwell (Jul 27, 2023 20:37 GMT+1)

Timothy Blackwell
Director

Statement of changes in equity

For the year ended 31 December 2022

	Called up share capital	Capital reduction reserve	Retained earnings	Total capital and reserves
	£'000	£'000	£'000	£'000
Balance as at 1 January 2022	**118,040**	**-**	**(26,470)**	**91,570**
Capital reduction	(106,236)	106,236	-	-
Total comprehensive income/(loss) in the year	-	-	(1,172)	(1,172)
Dividend paid	-	(20,000)	-	(20,000)
Balance as at 31 December 2022	**11,804**	**86,236**	**(27,642)**	**70,398**

On the 30 November 2022, the Directors approved the payment of a £20m dividend (2020: £nil) to HTB.

For the year ended 31 December 2021 (Restated)

	Called up share capital	Capital reductio n reserve	Retained earnings	Total capital and reserves
	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	**114,040**	**-**	**(27,453)**	**86,587**
Effect of transition to IFRS	-	-	3,005	3,005
	114,040	-	(24,448)	89,592
Issue of share capital	4,000	-	-	4,000
Total comprehensive income for the year	-	-	3,528	3,528
Effect of transition to IFRS	-	-	(5,550)	(5,550)
Balance as at 31 December 2021	**118,040**	**-**	**(26,470)**	**91,570**

Statement of cash flows

	2022	2021 Restated
	£'000	£'000
Cashflows from operating activities		
Loss before tax for the year	**(1,319)**	(2,690)
Adjustments for:		
Depreciation and amortisation	**2,020**	2,117
(Decrease)Increase in impairment of Loans and Advances	**(3,986)**	4,399
(Decrease)/Increase in impairment of property lease	**194**	-
Loss on disposal	**277**	1,173
Decrease/(Increase) in prepayments and accrued income	**131**	(143)
Increase in accruals and deferred income	**901**	587
Corporation tax received from former parent company	**595**	-
Corporation tax received from subsidiary undertaking	**396**	-
Changes in:		
Decrease/(Increase) in loans and advances to customers	**73,022**	(101,414)
Decrease in other assets	**4,221**	271
Increase in central bank facilities	**670**	85,531
Decrease/(Increase) in loans and advances to banks*	**(9,656)**	(11,045)
Increase in intergroup borrowing	**39,181**	-
(Decrease)/Increase in customer deposits	**(158,398)**	82,104
(Decrease)/Increase in subordinated and other liabilities	**(8,176)**	1,624
Net cash flow from operating activities	**(59,927)**	62,514
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	**(1,085)**	(2,166)
Net cash flow from Investing Activities	**(1,085)**	(2,166)
Cash flows from Financing Activities		
Dividend paid	**(20,000)**	-
Proceeds from the issue of share capital	**-**	4,000
Net increase/(decrease) in Cash and Cash Equivalents	**(81,012)**	64,348
Cash and cash equivalents at 1 January	**84,365**	20,017
Cash and Cash Equivalents at 31 December	**3,353**	84,365

*This excludes amounts considered to be cash and cash equivalents

Notes to the financial statements

This section describes the Bank's significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained within the relevant note.

1 Reporting entity

Wesleyan Bank Limited is a company domiciled in England and Wales, registration number 2839202. The registered address is 55 Bishopsgate, London, EC2N 3AS.

2 Basis of preparation

Statement of compliance

The Bank's financial statements have been prepared in accordance with UK-adopted International Accounting Standards

The individual financial statements of Wesleyan Bank Limited have been prepared in compliance with International Financial Reporting Standards (IFRS). These are the Bank's first financial statements prepared in accordance with IFRS.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Bank is provided in note 3 Significant accounting policies and in note 36. In line with the format of IFRS, fees previously included in interest income, other income and administrative expenses have been reclassified.

The Bank is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Bank as an individual undertaking and not about its group.

Functional and presentation currency

These financial statements are presented in Pounds Sterling (GBP), which is the Bank's functional currency. All amounts have been rounded to the nearest thousand except when otherwise stated.

Going Concern

The Bank is wholly owned by HTB. HTB will continue to support the Bank and it's subsidiaries. The Bank's subsidiaries (Note 19) are exempt from the requirements of the Companies Act relating to the audit of accounts under section 479A, as HTB has guaranteed the subsidiary companies under Section 479C of the Act.

3 Changes in significant accounting policies

The Bank considered the following standards and amendments to standards from 1 January 2022:

- Onerous contracts – cost of fulfilling a contract – Amendments to IAS 37
- Property, Plant and Equipment – Proceeds before intended use – Amendments to IAS 16

The effect of these amendments has been deemed as immaterial to the Bank's financial statements.

4 Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The significant estimates and judgements made by management in applying accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the results and financial position, are presented within the notes to the accounts as shown below:

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are included in the following notes:

- Notes 6.6: classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

- Note 6.8: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 are included in the following notes:

- Notes 6.8: allowance for credit impairment losses on financial assets at amortised cost: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

5 Future accounting developments

Minor amendments to IFRSs effective for the Bank from 1 January 2023 have been issued by the IASB. These amendments are expected to have no or an immaterial impact on the Bank.

6 Significant accounting policies

6.1 Interest income and expense on instruments measured at amortised cost

Interest income and expense are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate (EIR) basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected lives of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premia or discounts.

Interest on impaired financial assets is recognised at the same EIR as applied at the initial recognition of the financial asset but applied to the book value of the financial asset net of any impairment allowance.

6.1.1 Judgement & estimates: Effective Interest Rate

In determining the expected life of loans and receivables assets, the Bank uses judgement on the likely redemption profiles. At regular intervals throughout the year, the expected lives of loans and receivables assets are reassessed for reasonableness. Any variation in the expected life of these assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income.

Interest income and expenses presented include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on EIR basis.
- Interest on fair value through other comprehensive income (FVOCI).
- Interest on fair value through profit or loss (FVTPL).
- Interest expense on lease liabilities.
- Interest income from Finance Leases and Hire Purchase is recognised over the period of the agreement so as to give a constant rate of return.

6.2 Fees and commission income

Fees and commissions which are not considered integral to the effective interest rate are generally recognised when the service has been provided and the Bank has satisfied its performance obligations per IFRS 15, and collection is considered probable.

These fees from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

Loan origination fees are recognised over the life of the agreement using the effective interest rate basis.

Fees and commission expense include transaction and service fees, which are expensed as the services are received. None of the fees and commission charged arose from variable consideration and fees charged are generally not refundable unless under exceptional circumstances.

6.3 Employee benefits

The bank applies IAS 19 Employee benefits in its accounting for components of staff costs.

6.3.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6.3.2 Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as pension costs in the income statement.

6.4 Leases

6.4.1 As a lessee

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs. The impact of IFRS16 is detailed in note 36.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by analysing borrowings from/to external sources adjusted to reflect the terms of the lease and the type of asset leased.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments with these leases as an expense on a straight-line basis over the lease term.

6.4.2 As a lessor

At lease inception, the lessor determines whether the lease is a finance lease or an operating lease.
To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Assets leased to customers are finance leases per IFRS 16. When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised within interest income.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease.

Operating lease assets are stated at original historical cost less accumulated depreciation. The Directors regularly review the useful economic lives of assets and, where necessary, adjust the expected useful life. Depreciation is provided to write off the cost less estimated residual value of each asset, by equal instalments over the term of the agreement.

Residual value exposure occurs due to the uncertain nature of the value of an asset at the end of an agreement. Residual values are set at the commencement of the lease based upon management's expectation of future sale proceeds. Throughout the life of an asset its residual value will fluctuate because of the uncertainty of the future market for that asset as well as general economic conditions. Due to this level of uncertainty, a provision has been created to cover any permanent impairment required in the future. This provision is treated in the same way as depreciation and is reflected within Tangible assets. When the asset comes to the end of the primary period, it is depreciated straight line over a period of 12 months up to the point it is sold.

6.4.3 Judgement & estimates: Lease term

The Bank is in negotiations with the landlord of the Northwich office lease to terminate in 2023. This will be reassessed at each reporting period. The Bank no longer uses the office space under the New Malden lease. As a result, the net book value of the right of use asset has been de-recognised as an impairment.

The discount rate used in the calculation of lease liability, is an estimation. For the property leases, the rate implicit in the Bank's property leases cannot be determined and it is unclear what a market rate for a secured loan provided to a Bank would be. In practice, banks do not enter into mortgage contracts with other lenders, particularly ones with such short terms, therefore, a rate of 5.0% would be an equivalent market rate to borrow a similar amount, on a secured basis, over a similar term, given the Bank's current credit standing.

The Bank uses two data centre providers where the Bank has the right to direct the use of the asset and obtain all economic benefits relating to the asset i.e., access to physical cabinets and therefore within the scope of IFRS 16. Due to the nature of the rolling contracts, we have taken the exemption of short-term leases on those agreements.

6.5 Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided in full using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised for unused tax losses, 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.

6.6 Financial assets & liabilities

Loans and advances include:

- Loans and advances measured at amortised cost using the effective interest method.
- Lease receivables.

6.6.1 Classification

A financial asset is measured at amortised cost if both the following conditions are met and it has not been designated at FVTPL:

- The asset is held within a business model where the objective is to hold the asset to collect its contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest (SPPI) on the outstanding principal amount.

A debt instrument would be measured at FVOCI only if both of the below conditions are met and it has not been designated as FVTPL:

- The asset is held within a business model where the objective is achieved by both collecting its contractual cash flows and selling the financial asset.
- The contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount.

All other financial assets are classified as measured at FVTPL.

6.6.2 Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets.
- How the performance of the portfolio is evaluated and reported to the Bank's management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed.

The Bank's current business model for all financial assets is to hold to collect contractual cash flows.

6.6.3 Significant judgement & estimates: Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features.
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans).
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

6.7 Modification of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at amortised cost.

6.8 Impairment

In preparing these report and accounts, the Bank has adopted IFRS 9. The impairment model in IFRS 9 is an expected loss model, which means that it is not necessary for a loss event to occur before an impairment loss is recognised. The impairment allowance is more forward-looking.

The impairment requirements apply to all financial assets at amortised cost, debt financial assets at FVOCI and loan commitments but not those measured at FVTPL.

The key changes to the Bank's accounting policies resulting from the adoption of IFRS 9 are summarised in note 36.

Classification & Measurement Principles

The classification, measurement and impairment requirements have been applied retrospectively by adjusting the opening reserves at the date of initial application, 1 January 2021.

The increase in the loss allowance has been deducted from reserves, at 1 January 2021.

The standard requires the Bank to identify assets that have been subject to a significant increase in credit risk (SICR) since initial recognition.

IFRS 9 requires assets to be classified into three stages. The Bank applies this three-stage approach to measuring the expected credit loss (ECL) based on credit migration between the stages.

Stage 1	Financial assets determined to have low credit risk at the reporting date, financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (ECL) are recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.
Stage 2	Financial assets that have experienced a significant increase in credit risk since initial recognition, are placed on the Bank's Watchlist, are in Forbearance but still performing or trigger the 30 days past due backstop. For these assets, lifetime ECL are recognised, but interest income is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset.
Stage 3	Financial assets that have defaulted and are otherwise considered to be credit impaired, including having triggered the 90 days past due backstop. For these assets, specific impairment provisions will be raised where there is a reasonable expectation of an actual or potential loss. Interest income is calculated on the net carrying amount.

6.8.1 *Significant estimates: ECL*

IFRS 9 impairment involves several important areas of judgement, including estimating forward looking modelled parameters, developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Bank's experience of managing credit risk.

Stages 1 and 2 ECLs as defined in the accounting policy are the product of the ECL model. Model governance, including validation both at inception and periodically, manual overlays, inputs and outputs, is covered by the Group's Model Governance Committee.

Stage 3 impairments are assessed manually. Loans move to stage 3 when a specific event has occurred where there is objective evidence of impairment. In any case, the back-stop position is loans that are in default (90 days+ past due) automatically go into stage 3. When determining specific provisions and recoverability, macro-economic assumptions will also be taken into account.

6.8.2 *Measurement of ECL/ECL model*

ECL are a probability-weighted estimate of credit losses. Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The impairment model calculates ECL at an individual loan level by multiplying probability of default (PD), loss given default (LGD) and the exposure at default (EAD). These variables are derived from internally developed models adjusted to reflect forward looking information and are discussed below. Management adjustments are made to modelled output to account for situations where known or expected risk factors have not been considered in the modelling process. The recognition and measurement of ECL is highly complex and involves the use of significant judgement and estimation. This includes the formulation and incorporation of multiple forward-looking economic conditions into ECL to meet the measurement objective of IFRS 9.

PD	PD represents the likelihood of a customer defaulting on their loan. The 12-month PD is either taken from a point-in-time reporting or application PD model. Reporting PD models utilise qualitative and quantitative factors that are indicative of the risk of default e.g. arrears status and loan applications scores. This is then extrapolated using historic industry data, where available, or expert judgement to calculate the lifetime PD. The lifetime PD is calculated on a weighted basis across all scenarios. These factors vary for each loan portfolio. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The forecast changes in economic conditions are considered for all portfolios. As the Bank's performance data does not go back far enough to capture a full economic cycle, the Bank selected a proxy series that best represents each business line to build economic response models ('ERM') to capture the effects of a recession. For asset finance it is the Finance and Leasing Association's Business Finance Balances in Arrears. For other commercial and acquisition finance portfolios this is the ONS published Company Insolvencies. For retail finance it is the Other Personal Lending Bank Balances write-offs published by the Bank of England.
EAD	EAD is based on the amount expected to be owed at default over the next 12 months (stage 1 accounts) or over the remaining lifetime (stage 2 accounts). EAD represents the expected exposure in the event of a default. EAD is derived from the current exposure and potential changes to the current amount allowed under the terms of the contract, including amortisation, overpayments and early terminations. The EAD of a financial asset is its gross carrying amount. For loan commitments, the EAD includes the amount drawn as well as potential future amounts that may be drawn under the terms of the contract, estimated based on historical observations and forward-looking forecasts.
LGD	LGD is the magnitude of the likely loss in the event of default. This takes into account recoveries either through curing or, where applicable, through auction sale of repossessed collateral and debt sale of the residual shortfall amount. For loans secured by property, loan to value ('LTV') ratios are key parameters in determining LGD. LGDs are calculated on a discounted cash flow basis using the financial instrument's effective interest rate origination as the discount factor.

6.8.3 Determining a significant increase in credit risk since initial recognition

The impairment model utilises both relative and absolute criteria to identify increases in credit risk:

- Loans 30 days past due but with less than 90 days of arrears.

- Loans moved to the Watchlist. Numerous quantitative and qualitative watch list factors are monitored including changes in bureau behavioural score, formal credit actions (e.g. winding up orders, CCJs, meeting of creditors), changes in customer behaviour, and requests for payment holidays, adverse changes in financial performance, significant changes in Directors and cost over runs and timing delays experienced by borrowers. Current and forecast adverse changes in the customer's geography and sector are also considered.

- Tripling of lifetime PD since origination.

Due to a lack of historic trading data, the Bank's stage transition criteria were set using industry level data and expert judgement. Going forward the criteria will be refined once sufficient specific credit data is available and the Bank can further develop its quantitative tests.

6.8.4 Definition of default and credit impaired assets

A financial asset is credit impaired (or defaulted) when an event or events that have a detrimental impact on estimated future cash flows have occurred. The triggers that will help identify this are explained below.

Loan accounts are classified as in default if any of the following criteria has been met:
- 90 days past due.
- Customer is bankrupt, in administration or liquidation.
- Significant decline in the credit quality of a credit obligation.
- Material breach of documented terms and conditions which the Bank has considered appropriate to enforce.
- Forborne non-performing exposures.
- Sale of credit obligations (not currently done by the Bank).
- Distressed restructuring.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

6.8.5 Forecast economic data

IFRS 9 requires ECL to reflect a range of possible outcomes and to consider future economic conditions. The Bank incorporates forward looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. This is achieved by developing a number of potential economic scenarios and modelling ECL for each scenario. The outputs from each scenario are combined using the estimated likelihood of each scenario occurring to derive a probability-weighted expected credit loss. The scenarios adopted and probability weighting applied are approved by the Model Governance Committee.

To achieve this the model uses five economic forecasts: one base; two upside; and, two downside scenarios. All of the scenarios have been sourced from an independent economic consultancy currently Oxford Economics. The upside and downside scenarios are calculated from a range of economic variables that are stressed around the base case. The ECL recognised in the financial statements reflects the effect on expected credit losses of a range of possible outcomes, calculated on a probability-weighted basis, based on the economic scenarios described above. The probability-weighted amount is typically a higher number than would result from using only the base economic scenario. Credit losses and defaults typically have a non-linear relationship to the many factors which influence credit losses, such that more favourable macroeconomic factors do not reduce expected losses as much as less favourable macroeconomic factors increase expected losses.

6.8.6 *Movement between stages*

Watchlists will be reviewed regularly by the Head of Business Support to ensure that the strategies remain appropriate and up to date. Performing assets which have experienced a significant increase in credit risk since initial recognition are reclassified from Stage 1 (12 month ECL) to stage 2 (lifetime ECL).

A renegotiated loan is derecognised, and a new agreement is made on a substantially different term. These renegotiated loans are classified as modified loans and can be transferred out of stage 3 if they no longer exhibit evidence of being credit impaired. The decision to move a customer from 'Watch' to 'Performing' status can only be made by an individual/committee with the correct level of authority as per the Bank's Delegated Authorities.

6.8.7 *Cure methodology*

The credit risk of a financial asset may improve such that it is no longer considered to have experienced a significant increase in credit risk if it meets the Bank's cure methodology.

To comply with IFRS 9 a customer will remain in default for 90 days even if cured. There is a 3-month probation period for both stage 2 and 3 (except for loans under distressed restructuring that require a 12 month probation period). This also includes accounts that are removed from the watch list. Stage 3 loans can be moved to Stage 2 only on the basis of further analysis of the borrower's financial situation and the Bank is satisfied about the likelihood of full and timely repayment of the exposure.

6.8.8 *Write-off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines 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. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of comprehensive income and OCI.

6.8.9 *Definition of Forbearance*

Forbearance is deemed to arise where the Bank agrees, either formally or informally, to vary the contractual terms of a Credit Facility Agreement, prompted by:

- Current or anticipated financial difficulty of the borrower.
- Where concessions provided by the Bank would not otherwise have been considered.

Forbearance is a qualitative stage 2 trigger (as mentioned above).

6.8.10 *Governance*

Stages 1 and 2 ECLs are the product of the ECL model. Model governance, including validation both at inception and periodically, monitoring, manual overlays, inputs and outputs, is covered by the Group's Model Governance Committee.

Stage 3 impairments are assessed manually. Loans move to stage 3 when a specific event has occurred where there is objective evidence of impairment. In any case, the back-stop position is loans that are in default (90 days+ past due) automatically go into stage 3. When determining specific provisions and recoverability, macro-economic assumptions will also be taken into account.

The Credit Risk Management Framework is a key component of the RMF linking together the requirements for all of the Bank's credit related policies, procedures and practices and setting out how the Bank will develop, implement, monitor and review credit risk. The Board sets its Risk Appetite in respect of Credit Performance and Stewardship, Credit Quality and Credit Concentration and monitors adherence to Risk Appetite using a suite of Risk Appetite Metrics which are reviewed monthly by Group Credit Committee and Conduct, Operational and Regulatory Risk committee. All aspects of credit risk management including maintenance of appropriate frameworks and policies are subject to review by Credit Committee under direct report to Board Risk Committee.

Performance of the loan book is monitored and reported by the 2nd Line Risk Credit Analytics Team, working closely with the Models Credit Risk Team who manage the Bank's IFRS9 credit grading and loss models.

The Bank has also introduced a stand-alone 2nd Line Business Support and Recoveries unit reporting direct to the Chief Risk Officer, independent of the 2nd Line Credit Risk Team. This unit manages all credit distressed customers with a view to supporting them to return to good health or seek alternative resolution to problem debt management.

All default accounts will be reviewed by the appropriate Delegated Authority holder or Credit Committee on a regular basis (quarterly as a minimum) and monitored monthly via risk data reporting packs. Any adjustment to the level of the provision will be subject to approval at the appropriate Delegated Authority level.

The Bank manages its Model Risk through the Group's Model Governance Committee (MGC). . The Committee is chaired by the CFO and is made up of the CRO, CCO, Director of Credit Analytics and Validation and Head of Models Credit Risk. The purpose of this Committee is:

- To develop and recommend a framework comprising a set of model governance principles, policies, standards, and practices (including independence standards) that optimally support the Bank's strategic priorities in accordance with the delegations under the Bank's Schedule of Policies and Frameworks.
- To ensure that there is robust ongoing monitoring, challenge and assessment of all Models within the Bank's business, including the monitoring of both Credit and Finance models.
- To oversee actions necessary to ensure the Bank's Model Governanceis adhered to.
- To provide a quarterly summary of progress from the MGC including completed actions to the Audit Committee.

6.9 Loans and advances to banks

Cash and cash equivalents comprise loans and advances to banks and building societies and short term highly liquid debt securities with less than 3 months to maturity. Loans to banks and building societies comprise cash balances and call deposits.

6.10 Property, plant and equipment

Tangible fixed assets are stated at historical cost, which includes direct and incremental acquisition costs less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment ranging from 2-4 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted accordingly with any adjustments made prospectively.

6.11 Intangible assets

At 31 December 2022 no Intangible assets were held, these having been transferred at net book value on 31 July 2021 to a related subsidiary Syscap Holdings Limited.

6.12 Deposits

Customer deposits are non-derivative financial liabilities with fixed or determinable payments and demand products. Deposits are initially measured at fair value less incremental direct transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method.

Funding is raised from customers depositing money in their savings accounts and central bank facilities. These funds are then used to lend to customers. To ensure the Bank has sufficient cash to repay customers when required, we are required to hold a minimum level of liquid assets. The Group's Treasury team manage the level of liquid assets and funding to ensure we meet the demands of customers, creditors and regulators.

6.13 Financial liabilities – Central bank facilities

Loans and advances over which the Bank transfers its rights to the collateral thereon to the Bank of England under the TFSME are not derecognised from the Statement of Financial Position as the Bank retains substantially all the risks and rewards of ownership including all cash flows from the loans and advances and exposure to credit risk.

Financial liabilities are initially measured at fair value and are subsequently measured generally at amortised cost unless it is held for trading. A financial liability will be derecognised when it is discharged or cancelled or expired. Financial liabilities are subsequently measured at amortised cost, interest is accrued over the life of the agreement on an EIR basis.

Drawings under the TFSME have a maturity of four years and bear interest at Bank Base Rate. Drawings under the scheme are collateralised using the Bank's loan portfolio and are measured at amortised cost. The volume of funding which can be drawn through central bank facilities is restricted by the volume of assets which the Bank is willing to encumber in the schemes. The Bank has set its risk appetite for asset encumbrance to ensure that the Bank is able to utilise central bank facilities as much as possible, whilst ensuring sufficient availability of 'free' assets, (assets that are unencumbered but that may be encumbered).

The Bank regularly monitors the level of encumbrance to ensure it is in line with the above approved internal risk appetite limits.

6.14 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that the outflow of the economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

Provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If the levy is subject to a minimum activity threshold, then a provision is recognised when that minimum activity of threshold is reached.

6.15 Shareholders' funds

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Bank to deliver cash or other financial assets, or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Bank, or where the instrument will or may be settled in the Bank's own equity instruments but includes no obligation to deliver a variable number of the Bank's own equity instruments, then it is treated as an equity instrument. Accordingly, the Bank's share capital is presented as components of equity. Any dividends, interest or other distributions on capital instruments are also recognised in equity. Any related tax is accounted for in accordance with IAS 12.

6.16 Change in accounting policy

Explanation of transition to IFRSs

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs.

The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2022, the comparative information presented in these financial statements for the year ended 31 December 2021 and in the preparation of an opening IFRS statement of financial position at 1 January 2021 (the Bank's date of transition).

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP (FRS102). An explanation of how the transition from FRS102 to IFRSs has affected the Bank's financial position is set out in note 36.

Notes to the financial statements *(continued)*

7 Interest income and expense

See accounting policy note 6.1

	2022 £'000	2021 £'000 Restated
Interest and similar income		
Interest on loans and advances to banks	613	18
Interest on customer loans	22,775	19,226
Interest on customer leases	1,418	2,066
Interest on parent company loan (see note 18)	544	-
Interest on subsidiary company loan	44	23
	25,394	21,333
Interest payable and similar charges		
Customer accounts	4,000	4,103
Interest due to parent company (see note 24)	550	-
Interest due to former parent company	-	284
Interest due to banks	1,763	227
	6,313	4,614

All interest income and expense is earned on assets that are not measured at fair value through profit and loss.

See note 36 for prior year reclassifications under IFRS.

8 Fees and commission income and expense

See accounting policy note 6.2

	2022 £'000	2021 £'000 Restated
Wholesale facility fees	16	92
Early settlement fees	62	59
Customer service fees	53	12
Facility fees	38	31
Fees and commission income	169	194
Credit and identity searches	83	191
Fees and commission expense	83	191

Fees and commission income and expense were previously included in interest income in prior year. See note 36 for reclassification adjustment.

Notes to the financial statements *(continued)*

9 Other income

	2022	2021
	£'000	£'000
Brokerage income	195	539
Net income from disposal of leased assets	67	271
	262	810

The reduction in brokerage income reflects the transfer of business from the Bank to HTB.

10 Administration expenses

	2022	2021
	£'000	£'000
		Restated
WAS allocated cost recharge	1,696	14,327
HTB allocated cost recharge	6,514	-
Severance costs	1,376	-
Integration costs of change of ownership	1,328	-
Depreciation *(note 20)*	245	53
Impairment of property lease	194	-
Other administrative costs	7,721	-
	19,074	14,380

Severance costs relate solely to HTB's acquisition of the Bank and subsequent integration activities. Integration costs relate to a combination of company-wide activities which have begun transitioning the operations of the Bank into HTB, and the one-off impact of severance costs, due to a reduction in the number of Bank employees.

Prior year administration expenses have been adjusted for reclassification of fees under IFRS, see note 36.

11 Staff numbers and costs

See accounting policy note 6.3

The average monthly number of employees (including executive Directors) during the year was:

	Number of employees	
	2022	2021
Administration	69	90
Sales	14	33
	83	123

The aggregate payroll costs of these employees (including executive Directors) during the year amounted to:

	2022	2021
	£'000	£'000
Wages and salaries	4,507	6,677
Social security costs	538	691
Other pension costs	309	475
	5,354	7,843

The 2021 numbers have been restated to include 3 non-executive Directors, 3 contractors and 2 full time equivalent heads rather than a year average.

Notes to the financial statements *(continued)*

The Bank's staff only contribute into a defined contribution pension scheme and the Bank has no liability to a defined benefit scheme. There were no outstanding prepaid pension contributions at 31 December 2022 (2021: £nil). The remuneration of those Directors who are also Directors of the former parent company is disclosed in the financial statements of that company, Wesleyan Assurance Society.

The remuneration payable to the Directors comprising one (2021: one) executive director and four (2021: four) non-executive Directors who served during the year ended 31 December 2022 was as follows:

	2022	2021
	£'000	£'000
Directors' salaries and bonus	**882**	523
Highest paid director's salaries and bonus	**477**	349

The remuneration disclosed above comprises the total remuneration received by each director for their services as Directors of the Bank and, where applicable, the HTB and Syscap companies. It is not practicable to apportion these amounts between services as Directors of the Bank and services as Directors of HTB and Syscap companies. Where a director of the company is also a Director of HTB, HTB has borne the expense. Otherwise, the Bank has borne the expense covering the Directors' services to the Bank and Syscap companies. The remuneration of the Directors included £13k for pension contributions (2021: £31k) and severance pay in relation to loss of office of £126k (2021: £Nil). The remuneration of the highest paid director includes severance pay in relation to loss of office of £126k.

PRA Remuneration Code

The Bank is governed by the PRA Remuneration Code as a Tier 3 firm and, as such, has undertaken a review of the requirements of the Code. The Bank considers that it complies with all aspects of the Code.

12 Auditor's remuneration

	2022	2021
	£'000	£'000
Audit of financial statements	**672**	186
Other non-audit services	**0**	22
	672	208

13 Dividend received from investment

	2022	2021
	£'000	£'000
Dividend received from investment	-	330

A dividend was paid by Syscap Limited of £Nil (2021: £300k and Syscap Holdings Limited of £Nil (2021: £30k).

Notes to the financial statements *(continued)*

14 Tax on (loss)/profit on ordinary activities

The tax charge/(credit) for the year is assessed at the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Current tax		
- UK Corporation tax on loss for the year	**(122)**	1,395
- Adjustment in respect of prior periods	**(404)**	(1,060)
Total current tax (credit) / charge	**(526)**	335
Deferred tax:		
- Origination and reversal of timing differences	**40**	(867)
- IFRS transition adjustment		(729)
- Adjustment in respect of prior periods	**489**	1,366
- Impact of change in tax rate	**(150)**	(773)
Total deferred tax	**379**	(1,003)
Tax credit on loss on ordinary activities	**(147)**	(668)

Factors affecting current and future tax charges.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023.

	2022 £'000	2021 £'000
Reconciliation of the tax expense		
(Loss)/profit on ordinary activities before taxation	**(1,319)**	(2,690)
Current tax at 19% (2021:19%)	**(251)**	(511)
Effects of:		
- Permanent timing difference impairment IFRS9		1,145
- Expenses not deductible for tax purposes	**169**	(43)
- Dividend received not chargeable for tax purposes	**-**	(63)
- Corporation tax adjustment in respect of prior periods	**(404)**	(1,060)
- Deferred tax adjustment in respect of prior periods	**489**	1,366
- IFRS transition adjustment		(729)
- Impact of change in tax rate on deferred tax balance	**(150)**	(773)
Total tax credit	**(147)**	(668)

Notes to the financial statements *(continued)*

14 Tax on (loss)/ profit on ordinary activities (continued)

Deferred tax asset

	2022	2021
	£'000	£'000
At beginning of year	**4,606**	4,332
Adjustment in respect of prior periods	**(489)**	(1,366)
Profit and loss credit / (charge) for the year	**(40)**	867
Impact of change in tax rate	**150**	773
At year end	**4,227**	4,606

Deferred tax assets comprise timing differences attributable to:

	2022	2021
	£'000	£'000
Finance lease receivables and tangible fixed assets	**3,477**	3,792
IFRS 9 transitional adjustment *(note 36)*	**750**	814
	4,227	4,606

Deferred tax assets are measured at the tax rates that are expected to apply in the period when the asset is realised, based on tax rates that have been enacted or substantively enacted as at the balance sheet date. The Finance Act 2021 increased the tax rate to 25% (effective from 1 April 2023). This change to the main tax rate had been enacted at the balance sheet date and is reflected in the measurement of the deferred tax balance.

The deferred tax balance relates to timing differences of fixed assets between depreciation and capital allowances, and the IFRS 9 transitional adjustment which is spread over 10 years in line with IFRS.

The Bank has calculated the UK deferred tax asset on fixed assets as at 31 December 2022 using a blended forecast future tax rate of 24.73% (2021: 23.7%). This blended rate is calculated based on the main rate of corporation tax enacted at 31 December as well as an expectation that the Bank will be able to utilise capital allowances in full each year.

The IFRS 9 transitional adjustment will be released over 10 years in line with IFRS using a blended rate of 24.25%. This is the first year of adopting IFRS, 1/10th has been released in the current year, there are 9 years remaining.

Notes to the financial statements *(continued)*

15 Loans and advances to banks

	2022	2021
	£'000	£'000
Repayable on demand	**3,353**	84,365
Cash and cash equivalents	**3,353**	84,365
Repayable within 3 months	**19,948**	15,000
Repayable in 3- 6 months	**24,705**	19,997
	48,006	119,362

Amounts due within 6 months includes gilts and treasury bills totalling £44,654k (2021: £34,997k) which have a market value of £44,634k (2021: £34,988k). Amounts repayable on demand no longer includes the Bank of England Reserve account, due to this account being closed following the acquisition by HTB (2021: £70,016k).

Notes to the financial statements *(continued)*

16 Asset encumbrance

At 31 December 2022

	Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	Assets positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank			Total £'000
		Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
Loans and advances other than loans on demand	111,484	-	-	296,355	**407,839**
Debt Securities issued by general governments	34,115	10,538	-	-	**44,653**
Nostro Balances and balances with the Bank of England	-	-	-	3,353	**3,353**
Loans and advances to parent company	-	-	-	32,851	**32,851**
Share in group undertaking				500	**500**
Tangible & intangible assets	-	-	-	2,713	**2,713**
Other assets	-	-	-	8,339	**8,339**
Total	**145,599**	**10,538**	**-**	**344,111**	**500,248**

At 31 December 2021

	Other assets (comprising assets encumbered at the central bank and unencumbered assets)				
	Assets positioned at the central bank (ie pre-positioned plus encumbered)	Assets not positioned at the central bank			Total £'000
		Readily available for encumbrance	Other assets that are capable of being encumbered	Cannot be encumbered	
Loans and advances other than loans on demand	134,694	-	-	342,181	**476,875**
Debt Securities issued by general governments	29,998	4,999	-	-	**34,997**
Nostro Balances and balances with the Bank of England	-	-	-	84,365	**84,365**
Share in group undertaking	-	-	-	500	**500**
Tangible & intangible assets	-	-	-	4,119	**4,119**
Other assets	-	-	-	13,535	**13,535**
Total	**164,692**	**4,999**	**-**	**444,700**	**614,391**

Notes to the financial statements *(continued)*

17 Loans and advances to customers at amortised cost

See accounting policy note 6

	2022	2021
	£'000	£'000
		Restated
Commercial loans	**281,024**	275,348
Less: allowance for impairment	**(5,259)**	(5,700)
	275,765	269,648
Retail loans	**9,849**	28,510
Less: allowance for impairment	**(2,647)**	(2,928)
	7,202	25,582
Asset finance	**127,266**	166,586
Less: allowance for impairment	**(2,394)**	(5,644)
	124,872	160,942
Wholesale finance	**-**	20,717
Less: allowance for impairment	**-**	(14)
	-	20,703
Total loans and advances to customers	**407,839**	476,875

Loans and advances to customers for 2021 has been restated to include the effect of the transition to IFRS see note 36.

Hire purchase

The table below provides an analysis of Hire Purchase receivables.

	2022	2021
	£'000	£'000
Year 1	**39,373**	44,404
Year 2	**34,270**	38,390
Year 3	**24,296**	31,698
Year 4	**12,551**	21,327
Year 5	**5,653**	9,566
More than 5 years	**2,575**	6,259
Total future repayments	**118,718**	151,644
Unearned finance income	**(9,577)**	(13,875)
Net investment	**109,141**	137,769
Less: allowance for impairment	**(1,382)**	(4,655)
	107,759	133,114

Notes to the financial statements *(continued)*

Finance lease receivables

The table below provides an analysis of finance lease receivables for leases of equipment in which the Bank is a lessor.

	2022	2021
	£'000	£'000
Year 1	**7,562**	10,389
Year 2	**4,658**	7,476
Year 3	**2,848**	5,171
Year 4	**1,204**	3,014
Year 5	**431**	1,061
More than 5 years	**395**	726
Total future repayments	**17,098**	27,837
Unearned finance income	**(1,426)**	(2,774)
Net investment	**15,672**	25,063
Less: allowance for impairment	**(997)**	(979)
	14,675	24,084

Loan receivables

The table below provides an analysis of loan receivables for equipment in which the Bank is a lessor.

	2022	2021
	£'000	£'000
Year 1	**1,247**	1,682
Year 2	**891**	1,212
Year 3	**363**	831
Year 4	**104**	284
Year 5	**12**	23
Total future repayments	**2,617**	4,032
Unearned finance income	**(164)**	(279)
Net investment	**2,453**	3,753
Less: allowance for impairment	**(15)**	(9)
	2,438	3,744

Notes to the financial statements *(continued)*

18 Loans and advances to parent company

	2022 £'000	2021 £'000
Loan with Hampshire Trust Bank	32,851	-
	32,851	-

As mentioned in the Strategic Report, the Bank and HTB have a Domestic Liquidity Sub-Group and Core UK Group waiver in place from the PRA and manage liquidity on a group basis. As a result, the Bank has deposited its liquid assets with HTB to manage at a group treasury level. Liquidity is therefore a group requirement and calculated on a group basis. This has been effected by use of intra-group loan agreements allowing the free movement of liquidity across the group and includes a mechanism for compulsory support of one entity by the other.

The above loan represents the balance remaining from the repayment of the Bank of England reserve account. Interest is charged at the base rate and is reflected in note 7.

See note 24, Loans and advances from parent company, which reflects the loan from HTB which covers the repayment of deposits.

Notes to the financial statements *(continued)*

19 Shares in group undertakings

	2022	2021
	£'000	£'000
At 1 January	**500**	500
At 31 December	**500**	500

The Bank continues to review the purpose and use of its subsidiary undertakings and opportunities to simplify the corporate structure.

The directly held subsidiary undertakings of the Bank at 31 December 2022 are shown below, all investments are in ordinary shares.

The Bank and all directly held subsidiary undertakings are incorporated and domiciled in England.

All directly held subsidiaries are 100% wholly owned and held at cost less impairment.

Company	Percentage held	Principal activities
Syscap Holdings Limited	100%	Owns and licenses intangible fixed assets
Syscap Limited	100%	Broker - introduction of finance

The indirectly held subsidiary undertakings of the Bank at 31 December 2022 are shown below.

Company	Percentage held	Holding Company	Principal activities
Syscap Group Limited	100%	Syscap Holdings Limited	Dormant
Syscap Leasing Limited	100%	Syscap Limited	To arrange lease finance and the provision of associated services
Serco Paisa Limited	50%	Syscap Limited	JV with Serco Group PLC to effect finance

For the year ending 31/12/2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Companies exempt from audit	
Syscap Holdings Limited	(Registered Number: 05740449)
Syscap Group Limited	(Registered Number: 03132650)
Syscap Limited	(Registered Number: 02471568)
Syscap Leasing Limited	(Registered Number: 02718043)

The registered office of all directly and indirectly held subsidiary undertakings is 55 Bishopsgate, London, EC2N 3AS. The ultimate parent company and controlling party of Wesleyan Bank Limited at the balance sheet date was Hampshire Trust Bank PLC. Copies of the consolidated financial statements of HTB may be obtained from the Company Secretary at 55 Bishopsgate, London, EC2N 3AS.

Notes to the financial statements *(continued)*

20 Property, plant and equipment

See accounting policy in note 6.10

	Equipment for hire	Property	Leasehold Improvements	Office equipment	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 January 2022	6,132	659	72	181	7,044
Additions	1,065	-	-	20	1,085
Lease impairment	-	(350)	-	-	(350)
Disposals	(1,800)	-	(72)	(118)	(1,990)
At 31 December 2022	**5,397**	**309**	**-**	**83**	**5,789**
Accumulated depreciation					
At 1 January 2022	2,590	256	9	70	2,925
Charge for year	1,775	132	63	50	2,020
Lese impairment		(156)			(156)
Disposals	(1,570)	-	(72)	(71)	(1,713)
At 31 December 2022	**2,795**	**232**	**-**	**49**	**3,076**
Net book value					
At 31 December 2021	3,542	403	63	111	4,119
At 31 December 2022	**2,602**	**77**	**-**	**34**	**2,713**

Contracts for future fixed asset expenditure not provided in the financial statements at 31 December 2021 total £Nil (2021: £226k).

The net book value of equipment for hire represents the value of equipment leased to customers on operating leases. These agreements do not give the customer rights and benefits equivalent to ownership of the asset and the expectation is that the equipment subject to these agreements will be returned to the Bank at the end of the lease period.

A financial commitment exists to pay rent for the New Malden and Northwich offices. The New Malden office has been exited giving rise to an impairment charge for the net book value (£194k). The total rent for the year 2022 was £78k (2021: £78k). (See note 28)

The net book value of property represents the right of use asset under IFRS 16. 2021 has been restated to include the value of this asset at 1 January 2022. See note 36.

Notes to the financial statements *(continued)*

The future minimum lease payments under non-cancellable operating leases are repayable as follows:

	2022	**2021**
	£'000	**£'000**
Year 1	**1,088**	1,318
Year 2	**536**	774
Year 3	**111**	235
Total future repayments	**1,735**	2,327
Unearned finance income	**(273)**	(352)
Net investment	**1,462**	1,975

Rentals receivable during the year under operating leases amounted to £1,983k (2021: £2,240k). In the year to 31 December 2022 the Bank recognised £37k (2021: £179K) of contingent rentals as income.

21 Right of use asset

See accounting policy in note 6.4

The Bank leases offices in New Malden and Northwich and these are presented as Right-of-Use assets on a separate line in the statement of financial position. The net book value and accumulated depreciation charge on the right of use asset as at 31 December 2022 is as follows;

Right of use asset – Office premise	**2022**	2021
	£'000	£'000
Net book value at 1 January	**403**	-
Net book value at 31 December	**77**	403
Depreciation at 31 December	**232**	256

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 December 2022 is as follows:

	2022	2021
	£'000	£'000
Year 1	**137**	130
Year 2	**86**	137
Year 3	**53**	86
Year 4	**-**	54
	276	407

Amounts recognised within the Statement of Comprehensive income in relation to finance leases are as follows:

	2022	2021
	£'000	£'000
		Restated
Depreciation expense	**132**	132
Interest expense	**17**	23
Lease impairment	**194**	-

Notes to the financial statements *(continued)*

22 Other assets

	2022	2021
	£'000	£'000
Amounts owed by group undertakings	**3,506**	4,068
Corporation tax receivable	**121**	-
Other debtors	**157**	4,401
Prepayments and accrued income	**328**	460
	4,112	8,929

Amounts owed by group undertakings are unsecured and repayable on demand. Amounts owed by non-trading undertakings are interest free.

23 Central bank facilities

	2022	2021
	£'000	£'000
Repayable over one year but less than five years	**99,201**	98,531
	99,201	98,531

The Bank participates in the Bank of England's Term Funding Scheme for SMEs, with the Bank holding £98.5m (2021: £98.5m), excluding accrued interest, under this scheme at 31 December 2022.

24 Loans and advances from parent company

	2022	2021
	£'000	£'000
Loan with Hampshire Trust Bank	**72,032**	-
	72,032	-

As mentioned in the Strategic Report, the Bank and HTB have a Domestic Liquidity Sub-Group and Core UK Group waiver in place from the PRA and manage liquidity on a group basis. As a result, the Bank has deposited its liquid assets with HTB to manage at a group treasury level. Liquidity is therefore a group requirement and calculated on a group basis. This has been effected by use of intra-group loan agreements allowing the free movement of liquidity across the group and includes a mechanism for compulsory support of one entity by the other. (see note 18)

As the deposit book amortises, the bank replaces the funding via intra-group lending from its parent HTB. Interest is charged on this loan at base rate plus funds transfer pricing. See note 7 for the net interest charged in the period.

25 Customer deposits

	2022	2021
	£'000	£'000
Repayable on demand	**63,057**	74,169
Three months or less but not on demand	**30,314**	33,436
One year or less but over three months	**95,886**	132,792
Five years or less but over one year	**64,491**	171,749
	253,748	412,146

Notes to the financial statements *(continued)*

26 Allowance for credit impairment losses on financial assets at amortised cost

IFRS 9

The following tables detail the gross carrying value of loans to customers by ECL stage and changes in the loss allowance during the year.

On the 31 March 2022 Wesleyan Bank Limited transferred an existing Block Discounting portfolio to HTB at a book value of £20m. This portfolio has been included within the Commercial loan balances in 2021.

As at 31 December 2022

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Commercial loans	220,988	54,314	5,722	281,024
Retail loans	2,155	5,144	2,550	9,849
Asset finance	108,717	16,928	1,621	127,266
Total Exposure	**331,860**	**76,386**	**9,893**	**418,139**
Less: allowance for impairment	(2,368)	(1,422)	(6,510)	(10,300)
Total Net Exposure	**329,492**	**74,964**	**3,383**	**407,839**

As at 31 December 2021

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Commercial loans*	287,934	6,137	1,994	296,065
Retail loans	24,292	804	3,414	28,510
Asset finance	157,551	4,003	5,032	166,586
Total Exposure	**469,777**	**10,944**	**10,440**	**491,161**
Less: allowance for impairment	(4,233)	(1,714)	(8,339)	(14,286)
Total Net Exposure	**465,544**	**9,230**	**2,101**	**476,875**

(* This includes the Block Discounting portfolio of £21m which was subsequently transferred to HTB on 31 March 2022)

Notes to the financial statements *(continued)*

Gross Carrying Value	2022			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Commercial loans				
Balance at 1 January	**287,934**	**6,137**	**1,994**	**296,065**
Transfer to Stage 1	1,739	(1,739)	-	-
Transfer to Stage 2	(56,589)	56,589	-	-
Transfer to Stage 3	(3,054)	(1,918)	4,972	-
Drawdowns/(Repayments)*	(9,042)	(4,755)	(246)	(14,043)
Write offs	-	-	(998)	(998)
Balance at 31 December	**220,988**	**54,314**	**5,722**	**281,024**
Retail loans				
Balance at 1 January	**24,292**	**804**	**3,414**	**28,510**
Transfer to Stage 1	34	(20)	(14)	-
Transfer to Stage 2	(9,854)	9,856	(2)	-
Transfer to Stage 3	(150)	(168)	318	-
Drawdowns/(Repayments)	(12,167)	(5,328)	(518)	(18,013)
Write offs	-	-	(648)	(648)
Balance at 31 December	**2,155**	**5,144**	**2,550**	**9,849**
Asset finance				
Balance at 1 January	**157,551**	**4,003**	**5,032**	**166,586**
Transfer to Stage 1	1,881	(1,665)	(216)	-
Transfer to Stage 2	(20,335)	20,335	-	-
Transfer to Stage 3	(1,195)	(599)	1,794	-
Drawdowns/(Repayments)	(29,185)	(5,146)	(767)	(35,098)
Write offs	-	-	(4,222)	(4,222)
Balance at 31 December	**108,717**	**16,928**	**1,621**	**127,266**
Total				
Balance at 1 January	**469,777**	**10,944**	**10,440**	**491,161**
Transfer to Stage 1	3,654	(3,424)	(230)	-
Transfer to Stage 2	(86,778)	86,780	(2)	-
Transfer to Stage 3	(4,399)	(2,685)	7,084	-
Drawdowns/(Repayments)	(50,394)	(15,229)	(1,531)	(67,154)
Write Offs[1]	-	-	(5,868)	(5,868)
Balance at 31 December	**331,860**	**76,386**	**9,893**	**418,139**

(*Includes the transfer of the Block Discounting portfolio £20m on 31 March 2022)

Notes to the financial statements *(continued)*

Gross Carrying Value		2021		
	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Commercial loans				
Balance at 1 January	**265,984**	**5,090**	**1,798**	**272,872**
Transfer to Stage 1	2,289	(2,289)	-	-
Transfer to Stage 2	(3,536)	3,536	-	-
Transfer to Stage 3	(911)	(103)	1,014	-
Drawdowns/(Repayments)	24,108	(97)	(818)	23,193
Write offs	-	-	-	-
Balance at 31 December*	**287,934**	**6,137**	**1,994**	**296,065**
Retail loans				
Balance at 1 January	**13,218**	**841**	**5,445**	**19,504**
Transfer to Stage 1	43	(40)	(3)	-
Transfer to Stage 2	(201)	214	(13)	-
Transfer to Stage 3	(115)	(127)	242	-
Drawdowns/(Repayments)	11,347	(84)	(487)	10,776
Write offs	-	-	(1,770)	(1,770)
Balance at 31 December	**24,292**	**804**	**3,414**	**28,510**
Asset finance				
Balance at 1 January	**91,524**	**3,787**	**1,906**	**97,217**
Transfer to Stage 1	2,522	(2,259)	(263)	-
Transfer to Stage 2	(500)	500	-	-
Transfer to Stage 3	(4,644)	-	4,644	-
Drawdowns/(Repayments)	68,649	1,975	(1,077)	69,547
Write offs	-	-	(178)	(178)
Balance at 31 December	**157,551**	**4,003**	**5,032**	**166,586**
Total				
Balance at 1 January	**370,726**	**9,718**	**9,149**	**389,593**
Transfer to Stage 1	4,854	(4,588)	(266)	-
Transfer to Stage 2	(4,237)	4,250	(13)	-
Transfer to Stage 3	(5,670)	(230)	5,900	-
Drawdowns/(Repayments)	104,104	1,794	(2,382)	103,516
Write Offs	-	-	(1,948)	(1,948)
Balance at 31 December	**469,777**	**10,944**	**10,440**	**491,161**

(* This includes the Block Discounting portfolio of £21m which was transferred to HTB on 31 March 2022)

Notes to the financial statements *(continued)*

Loss allowance

	2022			
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Commercial loans				
Balance at 1 January	**2,725**	**1,428**	**1,561**	**5,714**
Transfer to Stage 1	373	(373)	-	-
Transfer to Stage 2	(622)	622	-	-
Transfer to Stage 3	(28)	(803)	831	-
Net transfers	**(277)**	**(554)**	**831**	**-**
Other changes in credit parameters & forward-looking information[1]	(1,320)	78	1,441	199
Additions and repayments[2]	261	(36)	119	344
Charge to the Statement of Profit and Loss	(1,059)	42	1,560	543
Write offs	-	-	(998)	(998)
Balance at 31 December	**1,389**	**916**	**2,954**	**5,259**
Retail loans				
Balance at 1 January	**205**	**67**	**2,656**	**2,928**
Transfer to Stage 1	14	(1)	(13)	-
Transfer to Stage 2	(99)	101	(2)	-
Transfer to Stage 3	(1)	(24)	25	-
Net transfers	**(86)**	**76**	**10**	**-**
Other changes in credit parameters & forward-looking information[1]	(35)	48	441	454
Additions and repayments[2]	(71)	(11)	(5)	(87)
Charge to the Statement of Profit and Loss	(106)	37	436	367
Write offs	-	-	(648)	(648)
Balance at 31 December	**13**	**180**	**2,454**	**2,647**
Asset finance				
Balance at 1 January	**1,303**	**220**	**4,121**	**5,644**
Transfer to Stage 1	181	(77)	(104)	-
Transfer to Stage 2	(159)	159	-	-
Transfer to Stage 3	(14)	(63)	77	-
Net transfers	**8**	**19**	**(27)**	**0**
Other changes in credit parameters & forward-looking information[1]	(406)	103	902	599
Additions and repayments[2]	61	(16)	328	373
Charge to the Statement of Profit and Loss	(345)	87	1,230	972
Write offs	-	-	(4,222)	(4,222)
Balance at 31 December	**966**	**326**	**1,102**	**2,394**
Total				
Balance at 1 January	**4,233**	**1,715**	**8,338**	**14,286**
Transfer to Stage 1	568	(451)	(117)	-
Transfer to Stage 2	(880)	882	(2)	-
Transfer to Stage 3	(43)	(890)	933	-
Net transfers	**(355)**	**(459)**	**814**	**-**
Other changes in credit parameters & forward-looking information[1]	(1,761)	229	2,784	1,252
Additions and repayments[2]	251	(63)	442	630
Charge to the Statement of Profit and Loss	(1,510)	166	3,226	1,882
Write offs	-	-	(5,868)	(5,868)
Balance at 31 December	**2,368**	**1,422**	**6,510**	**10,300**

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios. 2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

Notes to the financial statements *(continued)*

Loss allowance

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Commercial loans				
Balance at 1 January	**1,465**	**190**	**1,310**	**2,965**
Transfer to Stage 1	100	(100)	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	(4)	(2)	6	-
Net transfers	**79**	**(85)**	**6**	**-**
Other changes in credit parameters & forward-looking information[1]	430	1,291	554	2,275
Additions and repayments[2]	751	32	(309)	474
Charge to the Statement of Profit and Loss	1,181	1,323	245	2,749
Write offs	-	-	-	-
Balance at 31 December	**2,725**	**1,428**	**1,561**	**5,714**
Retail loans				
Balance at 1 January	**388**	**133**	**4,248**	**4,769**
Transfer to Stage 1	8	(6)	(2)	-
Transfer to Stage 2	(5)	15	(10)	-
Transfer to Stage 3	(3)	(31)	34	-
Net transfers	**0**	**(22)**	**22**	**-**
Other changes in credit parameters & forward-looking information[1]	(110)	(35)	(158)	(303)
Additions and repayments[2]	(73)	(9)	314	232
Charge to the Statement of Profit and Loss	(183)	(44)	156	(71)
Write offs	-	-	(1,770)	(1,770)
Balance at 31 December	**205**	**67**	**2,656**	**2,928**
Asset finance				
Balance at 1 January	**758**	**237**	**1,004**	**1,999**
Transfer to Stage 1	276	(154)	(122)	-
Transfer to Stage 2	(2)	2	-	-
Transfer to Stage 3	(16)	-	16	-
Net transfers	**258**	**(152)**	**(106)**	**-**
Other changes in credit parameters & forward-looking information[1]	(647)	(80)	2,760	2,033
Additions and repayments[2]	934	215	641	1,790
Charge to the Statement of Profit and Loss	287	135	3,401	3,823
Write offs	-	-	(178)	(178)
Balance at 31 December	**1,303**	**220**	**4,121**	**5,644**
Total				
Balance at 1 January	**2,611**	**560**	**6,562**	**9,733**
Transfer to Stage 1	384	(260)	(124)	-
Transfer to Stage 2	(24)	34	(10)	-
Transfer to Stage 3	(23)	(33)	56	-
Net transfers	**337**	**(259)**	**(78)**	**-**
Other changes in credit parameters & forward-looking information[1]	(327)	1,176	3,156	4,005
Additions and repayments[2]	1,612	238	646	2,496
Charge to the Statement of Profit and Loss	1,285	1,414	3,802	6,501
Write offs	-	-	(1,948)	(1,948)
Balance at 31 December	**4,233**	**1,715**	**8,338**	**14,286**

1. Changes in loss allowance as a result of movements due to changes in: credit risk parameters; adjustments to the models used for expected credit loss calculations; and, the forward-looking economic scenarios. 2. Expected loss allowances recognised on origination of new loans. Repayments relate to the reduction of loss allowances as a result of repayments of outstanding balances.

Notes to the financial statements *(continued)*

Impairment losses on loans and advances to customers of £1,882k (2021: £6,348k) recognised in the Statement of Comprehensive Income comprise of the following balances:

	2022	2021
	£000	£000
Increase/(Decrease) in ECL	(3,946)	4,513
Provision not in ECL	(40)	(113)
Bad debt written off	5,868	1,948
Impairment (gains)/losses on loans and advances to customers	1,882	6,348

Post-Model Adjustments ("PMAs")

For year-end 2022, management determined that a series of PMAs totalling £0.7mm (2021: nil) are required across the Bank's two key portfolios, which have been included in the respective loss allowance tables (pages 61-62). PMAs are subject to formal provisioning governance and are approved by the Model Governance Committee. Each PMA is reviewed quarterly in line with the release of new macro-economic forecasts for continued applicability.

- **Asset Finance**: Due to the potential effects of the current period of elevated inflation, energy and other input prices, a PMA has been added to account for obligors in at-risk sectors (including sectors at risk from lower consumer spending). This has resulted in a PMA of £0.5m (2021: nil). This PMA is expected to remain in place until either the economy has sufficiently recovered or inflation has normalised.

- **Acquisition Finance**: Due to the potential effects of the current period of elevated interest rates, inflation, energy and other input prices, a PMA of £0.2m (2021: nil) has been added to account for obligors that may face a combination of rising costs and a decrease in consumer spending.

27 Other liabilities

	2022	2021 Restated
	£'000	£'000
Creditors	130	5,234
Amounts due to parent undertaking	1,090	2,638
Amounts due to group undertaking	468	466
Corporation tax payable	-	1,396
Accruals and deferred income	2,905	2,004
	4,593	11,738

Amounts owed to parent and group undertakings are unsecured and repayable on demand.
2021 restatement relates to reclassified accounts to loans and advances to customers. See note 36.

28 Financial commitments

A financial commitment exists to pay rent for the New Malden and Northwich offices. The New Malden office has been exited giving rise to an impairment charge for the net book value (£194k). The total rent for the year 2022 was £78k (2021: £78k)

It is the intention of management to terminate the existing premises in Northwich at the earliest opportunity. The total rent for the year 2022 was £69k (2021: £69k).

Notes to the financial statements *(continued)*

The minimum future annual rent under the foregoing leases which will be charged in the following periods are:

	2022	2021
	£'000	£'000
Within one year	**147**	147
Two to five years	**144**	291
Over five years	**-**	-

At the year end the Bank had undrawn customer loan commitments of £nil (2021: £22m) in the pipeline.

29 Called up share capital

	2022	2021
	£'000	£'000
Allotted, issued and fully paid		
Allotted and fully paid ordinary shares of £0.1 (2021: £1) each	**11,804**	118,040

As part of effecting an orderly and efficient wind-down of the Bank, the Board approved a share capital reduction, via a reduction in the nominal value of each share of the issued share capital, to create sufficient distributable reserves that would enable future dividend payments to HTB.

Under Section 641 of the Companies Act 2006, the issued share capital of the Bank was reduced from £118.0m to £11.8m by cancelling and extinguishing capital to the extent of £0.9 on each issued ordinary share of £1 each to £0.1. The amount by which the share capital is reduced was credited to reserves.

Other than fully paid ordinary shares and retained reserves, the Bank does not regard any other financial liabilities as capital and nor are any components of equity excluded. The minimum capital requirements and the nature of the capital held by the Bank are set by the Bank's regulator, the PRA. The Bank complied with these requirements in all respects during the current and previous financial year.

30 Principal risks and uncertainties

30.1 Financial risk

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital. The main areas of financial risk to which the Bank is exposed are:

- Credit risk.
- Liquidity risk.
- Market risk.
- Capital risk.

Notes to the financial statements *(continued)*

30.2 Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk appetite is set at Board level and is described and reported through a suite of metrics devised from a combination of accounting and credit portfolio performance measures, and includes the use of various credit risk rating systems to measure the credit risk of loans and advances to customers and banks at a counterparty level using three components: (i) the probability of default by the counterparty on its contractual obligations; (ii) the exposure to the counterparty at default; and, (iii) the likely loss ratio on the defaulted obligations, the loss given default. The Bank uses a range of approaches to mitigate credit risk, including policies, obtaining collateral, using master netting agreements. The Bank's credit risk exposure, which arises solely in the United Kingdom, is set out below.

(i) Maximum credit exposure

The maximum credit risk exposure in the event of other parties failing to perform their obligations is presented below. No account is taken of any collateral held and the maximum exposure to loss is considered to be the balance sheet carrying amount or, for non-derivative off-balance sheet transactions, their contractual nominal amounts.

The maximum exposure to credit risk for financial assets is set out below:

	2022	2021 Restated
	£'000	£'000
Loans and advances to banks	**48,006**	119,362
Loans and advances to customers	**407,839**	476,875
Other assets: amounts owed by group undertakings (note 22)	**3,506**	4,068
	459,351	600,305

Contractual loan commitments represent agreements entered into but not advanced at 31 December 2022.

Quality of credit risk exposures

Internal rating scales

In assessing the credit quality of the loan portfolio the Bank uses an internal rating scale based on a customer's 12 month expected default probability.

	Internal grading
Excellent quality	1
Good quality	2
Satisfactory quality	3
Lower quality	4
Below standard	5

The following table sets out the current stage status of the loan portfolio compared with the internal rating at origination.

Internal Rating at Origination	**12 month PD range**	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**2022 Total £'000**
1	0.06% - 0.45%	14,643	3,188	-	17,831
2	0.45% - 1.05%	137,172	38,244	2,598	178,014
3	1.05% - 2.4%	145,571	31,180	3,042	179,793
4	2.4% - 5.5%	25,722	2,857	830	29,409
5+	> 5.5%	8,752	917	3,423	13,092
		331,860	**76,386**	**9,893**	**418,139**

Notes to the financial statements *(continued)*

The following table sets out the current stage status of the loan portfolio compared with the internal rating at origination.

Internal Rating at Origination	12 month PD range	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	2021 Total £'000
1	0.06% - 0.45%	21,616	236	-	21,852
2	0.45% - 1.05%	191,084	4,383	4,221	199,688
3	1.05% - 2.4%	214,811	3,500	816	219,127
4	2.4% - 5.5%	35,060	1,983	185	37,228
5+	> 5.5%	7,207	840	5,219	13,266
		469,778	**10,942**	**10,441**	**491,161**

The following table sets out an analysis of stage 2 balances as at 31 December, reflecting the reason at that date for inclusion in stage 2.

As at 31 December 2022	Gross carrying amount £'000	ECL £'000
Quantitative test – PD movement	74,015	1,323
Qualitative test – Forbearance and other support	2,371	99
30 days past due back stop	-	-
	76,386	**1,422**

As at 31 December 2021	Gross carrying amount £'000	ECL £'000
Quantitative test – PD movement	7,203	1,552
Qualitative test – Forbearance and other support	-	-
30 days past due back stop	3,740	162
	10,943	**1,714**

The following table sets out an analysis of the portion of stage 3 ECL in a cure period preceding transfer to stage 2 as at 31 December.

As at 31 December 2022	Gross carrying amount £'000	ECL £'000
Credit-impaired not in cured period	9,893	6,511
No longer credit-impaired but in cured period that precedes transfer to stage 2	-	-
	9,893	**6,511**

As at 31 December 2021	Gross carrying amount £'000	ECL £'000
Credit-impaired not in cured period	10,434	8,335
No longer credit-impaired but in cured period that precedes transfer to stage 2	6	4
	10,440	**8,339**

Notes to the financial statements *(continued)*

Concentration risk

This represents the risk to the Bank that results from its combined exposure to a significant group of customers within the same professional market.

The principal activities of the Bank are the provision of banking services, primarily deposit taking, personal and commercial lending, the majority of which is unsecured. Personal loans are provided primarily to dental patients who require finance to pay for their treatment.

The Bank also offers commercial loans. In the legal sector loans are only made to law firms with the prime focus on 4 to 11 partner firms. As there are more law firms in the larger cities in the United Kingdom, there are some limited regional credit concentrations in those cities.

The Bank operates only in the United Kingdom. Although it specifically targets members of the medical, dental, teaching, legal and accounting professions, it continues to service a significant number of wider market SMEs. As the Bank is not an internationally diversified business, it is arguably exposed to a significant downturn in the UK economy, relative to other markets, but it believes that its core professional markets are less susceptible to economic cycles.

The Bank has drawn funds from the Bank of England under the TFSME scheme amounting to £98.5m (2021: £98.5m). It has also entered a contractual arrangement with a deposit aggregator to raise retail and commercial deposits on behalf of the Bank. As the Bank does not hold the relationship with the depositor under this arrangement, it treats deposits raised through the aggregator as a single depositor. Funds held with the aggregator at the year end amounted to £7.5m (2021: £30.6m). No other single depositor accounts for more than 0.5% of Bank deposits, so the Bank does not believe there is any material concentration risk on deposit balances.

	Loans and advances to Banks and Building Societies		**Loans and advances to Customers**	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Carrying amount	48,006	119,362	407,839	476,875
Concentration by sector:				
Government	44,654	105,013	-	-
Banks and Building Societies	3,352	14,349	-	-
Commercial	-	-	275,765	290,351
Retail	-	-	7,202	25,582
Asset finance			124,872	160,942
	48,006	**119,362**	**407,839**	**476,875**
Concentration by location:				
UK	48,006	119,362	407,839	476,875

a) Loans and advances to banks and debt securities

The Bank's Board is responsible for approving treasury counterparties for investment purposes. Limits are placed in the amount of risk accepted in relation to one counterparty or group of counterparties. This is monitored daily by the Bank's finance team and reviewed monthly by the Bank's Asset and Liability Management Committee (ALCO).

The Bank's policy only permits lending to central government (including the Bank of England) and banks or building societies with high credit ratings.

Notes to the financial statements *(continued)*

b) Loans and advances to customers

All loan applications are assessed with reference to the Bank's lending policies for personal or commercial lending dependent on the type of loan applicant. This includes assessing applicants for potential fraud risk. These lending policies are approved by the Board.

Collateral held and other credit enhancements

The Bank does not hold collateral against its retail loans and advances to customers except for loans totalling £220k (2021: £286k) which are secured on life policies taken out with the Society. The Society has and continues to guarantee these loans.

The Bank has title to the plant and equipment that it leases and also holds collateral in the form of property and other assets against its long term secured commercial loans and advances to customers.

The Bank holds collateral against secured advances made to businesses and individuals in the form of charges over properties, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of financing and are updated on a periodic basis. In addition to the collateral included above, the Bank also holds other types of collateral and credit enhancements such as personal guarantees, second charges and floating charges for which specific values are not generally available.

As at 31 December 2022 the Bank holds £782k (2021: £465k) of collateral against impaired loans. The Bank does not hold any credit derivatives or similar instruments that would mitigate the maximum exposure to credit risk.

Notes to the financial statements *(continued)*

Forbearance and loan modifications

The Bank 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 Bank. The value of forborne loans at 31 December 2022 amounted to £5,303k (2021: £782k).

Inputs, assumptions and techniques used for estimating impairment

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank employs five economic scenarios including a central scenario ("Base case"), and four less likely scenarios: one upside ("Upside 1") and one downside scenario ("Downside 1"); and, one extreme upside ("Upside 2") and one extreme downside ("Downside 2") scenario. The central scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data from a leading independent economic forecasting consultant. A review is performed at least annually on the design of the scenarios.

Sensitivity of ECL to future economic conditions

The ECL is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on the Bank's material asset classes.

The table below shows the model of loss allowance on loans and advances to customers assuming each forward-looking scenario (e.g. base, upside and downside) were weighted 100% instead of applying scenario probability weights across the five scenarios.

The scenario probability weightings applied in measuring ECL are as follows:

As at 31 December 2022

	Downside 2	Downside 1	Base	Upside 1	Upside 2
Gross exposure £'000	418,139	418,139	418,139	418,139	418,139
Loss allowance £'000	10,402	10,232	9,550	9,328	9,034
Loss allowance Stage 2 £'000	1,571	1,504	1,266	1,119	915
Proportion of loss allowance in Stage 2	15.10%	14.70%	13.25%	12.00%	10.13%

As at 31 December 2021

	Downside 2	Downside 1	Base	Upside 1	Upside 2
Gross exposure £'000	491,161	491,161	491,161	491,161	491,161
Loss allowance £'000	15,351	14,971	14,151	13,772	13,433
Loss allowance Stage 2 £'000	1,995	1,905	1,687	1,607	1,514
Proportion of loss allowance in Stage 2	12.99%	12.73%	11.92%	11.67%	11.27%

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers of credit risk identified are real GDP, unemployment rates, real estate prices (both residential and commercial), CPI inflation and interest rates (Bank of England Base Rate). The Bank estimates each key driver of credit risk over the active forecast period of 5 years.

Notes to the financial statements *(continued)*

The tables below list the macroeconomic assumptions used in five scenarios over the 5-year forecast period. The assumptions represent the absolute percentage for interest rates and unemployment rates and average house prices.

At 31 December 2022

Scenario	Economic variable	2023	2024	2025	2026	2027	Ave 23-27
Upside 2	HPI growth (%)	-2.8	0.3	6.2	5.5	5.4	2.9
10%	Unemployment rate (%)	3.5	2.8	2.3	2.2	2.2	2.6
	CRE price growth	12.3	5	3.8	0.1	0.1	4.3
	Bank of England rate	5.5	5.4	4	2.6	2.5	4
	CPI inflation	8.9	4.8	1.5	0.7	1.5	3.5
	GDP Growth	3	3.8	3.9	2.5	1.5	3
Upside 1	HPI growth (%)	-5.2	-1.2	4.7	5.6	5.5	1.9
10%	Unemployment rate (%)	4.1	4	3.8	3.7	3.6	3.9
	CRE price growth	7.6	4.4	3.7	0.9	0.8	3.5
	Bank of England rate	5.3	4.9	3.4	2.3	2.3	3.6
	CPI inflation	8.3	3.9	1.4	0.7	1.4	3.1
	GDP Growth	1.4	3	3.5	2.4	1.6	2.4
Base	HPI growth (%)	-8.4	-3.3	2.5	5.7	5.6	0.4
60%	Unemployment rate (%)	4.4	4.4	4	3.9	3.8	4.1
	CRE price growth	0.6	2.9	3.1	2.4	2	2.2
	Bank of England rate	4	3.1	2.1	1.8	1.7	2.5
	CPI inflation	7.6	2.5	1.2	0.8	1.5	2.7
	GDP Growth	-0.9	1.5	2.7	2.2	1.7	1.4
Downside 1	HPI growth (%)	-14.6	-7.9	-2.8	6.1	6	-2.6
10%	Unemployment rate (%)	5.3	6.5	7.1	6.9	6.6	6.5
	CRE price growth	-8.9	2.5	3.4	4.2	3.4	0.9
	Bank of England rate	3.5	2.9	1.9	1.3	1.3	2.2
	CPI inflation	6.3	0.9	1.1	0.9	1.4	2.1
	GDP Growth	-4.6	0.2	2.3	2.1	1.8	0.4
Downside 2	HPI growth (%)	-17.6	-10.4	-5.9	6.3	6.2	-4.3
10%	Unemployment rate (%)	5.5	6.9	7.4	7.3	6.9	6.8
	CRE price growth	-13.9	1.9	3.3	5.3	4.3	0.2
	Bank of England rate	2.9	2.3	1	0.5	0.5	1.4
	CPI inflation	5.7	0.1	1	1	1.4	1.8
	GDP Growth	-6.5	-0.6	2	2.1	1.9	-0.2

Notes to the financial statements *(continued)*

At 31 December 2021

Scenario	Economic variable	2022	2023	2024	2025	2026	Ave 22-26
Upside 2	HPI growth (%)	7.8	5.1	9.5	2.6	3.3	5.7
	Unemployment rate (%)	2.5	2.4	2.4	2.4	2.5	2.4
	CRE price growth	12.1	1.9	0.6	-1.2	-0.8	2.5
	Bank of England rate	1.3	2	2.3	2.3	2.3	2
	CPI inflation	5.5	3.2	2.1	1.6	2.2	2.9
	GDP Growth %	8.3	4.7	2.1	1.9	1.6	3.7
Upside 1	HPI growth (%)	4.3	2.6	6.9	2.7	3.5	4
	Unemployment rate (%)	3.4	3.5	3.6	3.6	3.6	3.6
	CRE price growth	7.8	1.6	0.7	-0.5	-0.2	1.9
	Bank of England rate	0.9	1.8	2	2	2	1.7
	CPI inflation	5	2.6	2	1.7	2.1	2.7
	GDP Growth %	6.9	4.1	1.9	1.8	1.7	3.3
Base	HPI growth (%)	-0.5	-0.6	1.5	3	3.7	1.4
	Unemployment rate (%)	4.2	4	3.8	3.7	3.7	3.9
	CRE price growth	1.4	0.8	0.7	0.7	0.7	0.9
	Bank of England rate	0.5	0.7	1	1.2	1.5	1
	CPI inflation	4.4	1.7	1.9	1.9	1.9	2.4
	GDP Growth %	4.9	2.8	1.6	1.8	1.7	2.6
Downside 1	HPI growth (%)	-9.4	-9.1	-5.4	3.6	4.3	-3.2
	Unemployment rate (%)	5.6	6.1	6.3	6.2	6	6
	CRE price growth	-7.7	0.5	0.9	2.4	2	-0.4
	Bank of England rate	0	0.3	0.3	0.5	0.5	0.3
	CPI inflation	3.3	0.6	1.7	2	1.6	1.8
	GDP Growth %	1	2	1.2	1.7	1.8	1.6
Downside 2	HPI growth (%)	-13.9	-13.9	-10.7	4	4.8	-5.9
	Unemployment rate (%)	6.1	6.5	6.6	6.4	6.3	6.4
	CRE price growth	-12.4	0.1	0.9	3.4	2.9	-1
	Bank of England rate	-0.3	-0.3	0	0	0	-0.1
	CPI inflation	2.7	0.1	1.7	2.1	1.5	1.6
	GDP Growth %	-0.9	1.4	0.9	1.7	1.9	1

The base scenario is a recommended base case in which risks to the overall outlook remain skewed to the downside and the range of possible outcomes is wider than under normal times due to on-going economic uncertainty. Based on the December 2022 forecast, the UK economy is expected to shrink by 0.9% in 2023 before rebounding by 1.5% in 2024 and 2.7% in 2025.

As a result of the increase in inflation, by raising interest rates, the BoE is signalling a clear need to reinforce its inflation-fighting mandate.

Notes to the financial statements *(continued)*

30.3 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due or cannot do so without incurring unacceptable losses. The Bank measures liquidity risk on a daily basis to ensure it has adequate liquidity to meet both internal risk appetite and regulatory requirements. Daily liquidity reporting is supplemented by a range of early warning indicators to help identify signs of liquidity risk. The Bank regularly stress tests its liquidity requirements against a number of scenarios, these scenarios and underlying assumptions are reviewed at least annually to ensure they continue to be relevant. As part of the Recovery Plan the Bank maintains a Liquidity Contingency Plan which contains mitigating actions available during a stress. Monthly reporting procedures are in place to update and inform senior management and all liquidity policies and procedures are subject to periodic independent internal oversight.

The table below analyses remaining contractual maturity undiscounted cash flows of non-derivative financial assets and liabilities.

	Carrying value 000	Net inflow /(outflow) 000	Up to 1 month 000	1 to 3 months 000	3 to 12 months 000	1 to 5 years 000	Over 5 Years 000
At 31 December 2022							
Assets							
Loan and advances to Banks	48,006	48,352	13,352	10,000	25,000	-	-
Loans and advances to customers	407,839	570,652	10,840	17,912	66,317	215,325	260,258
Total	**455,845**	**619,004**	**24,192**	**27,912**	**91,317**	**215,325**	**260,258**
Liabilities							
Deposits	253,748	267,347	71,859	21,280	99,913	74,295	-
Central Bank Facilities	99,201	107,734	923	-	2,770	104,041	-
Contractual loan commitments	-	-	-	-	-	-	-
Total	**352,949**	**375,081**	**72,782**	**21,280**	**102,683**	**178,336**	**-**

	Carrying value £'000	Net inflow /(outflow) £'000	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 Years £'000
At 31 December 2021							
Assets							
Loan and advances to Banks	119,362	119,434	89,434	10,000	20,000	-	-
Loans and advances to customers	476,875	586,677	13,603	24,021	82,411	242,801	223,841
Contractual loan commitments	(22,000)	(22,000)	(11,000)	(11,000)	-	-	-
Total	**574,237**	**684,111**	**92,037**	**23,021**	**102,411**	**242,801**	**223,841**
Liabilities							
Deposits	412,146	423,092	83,839	30,797	134,589	173,867	-
Central Bank Facilities	98,531	98,895	25	-	74	98,796	-
Contractual loan commitments	(22,000)	(22,000)	(11,000)	(11,000)	-	-	-
Total	**488,677**	**499,987**	**72,864**	**19,797**	**134,663**	**272,663**	**-**

Notes to the financial statements *(continued)*

Liquidity Reserves

The bank has a strong liquidity position and holds high quality liquid assets comprising cash placed on deposit with the Bank of England, which can be quickly monetised through repurchase agreements or outright sale. The following table details the components of the Bank's liquidity reserves as at 31 December:

	2022 Carrying value £'000	2022 Fair Value £'000	2021 Carrying Value £'000	2021 Fair Value £'000
Cash and balances at central banks	36,203	36,203	52,766	52,766
Unencumbered debt securities	10,539	10,539	5,000	4,998
Total liquidity reserves	**46,742**	**46,742**	**57,766**	**57,764**

30.4 Market risk

This represents the sensitivity of the market value of a portfolio of financial assets and liabilities to changes in interest rates, foreign exchange rates and equity and commodity prices. The Directors have concluded that the exposure to market risk is limited as the Bank does not have a trading book. The Bank invests in short-dated UK gilts and treasury bills. The volatility of market values in this market is considered to be low.

The Bank does not have any material foreign exchange, equity, commodity or credit spread risk. Therefore, the market risk analysis provided relates purely to the Bank's exposure and sensitivity to interest rate risk.

Interest rate risk

This is the risk that significant movements in interest rates will have a material impact on the Bank's profitability by, for example, reducing net interest margin. Rates of interest on the Bank's product range are monitored and amended as appropriate on an ongoing basis to ensure that they reflect the market price, the competition and the return that the Bank is seeking on its advances.

The Bank may be subject to an interest rate risk on its variable rate deposit accounts, where the Bank does not move rates immediately following a base rate change. However, interest rates are tiered, and the average interest rates are constantly monitored. The Bank will issue fixed rate term deposits to provide some matching for liquidity and interest rate risk in the unsecured personal loan portfolio.

Interest rate sensitivity gap analysis

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates. The table below summarises these re-pricing mismatches on the Bank's non-trading book as at 31 December 2022. Items are allocated to time bands by reference to the earlier of contractual interest rate re-pricing date and the maturity or repayment date.

All interest rates and re-pricings are reviewed and agreed at ALCO, which is principally responsible for monitoring market risk. ALCO will also review sensitivities of the Bank's assets and liabilities to standard and non-standard changes in achievable effective rates. Standard scenarios that are considered monthly include a 2.00% or 0.50% rise or fall in effective average rates.

The amount of undrawn loan commitments are shown in the below table as 'Off balance sheet items'.

An analysis of the Bank's statement of comprehensive income sensitivity to an increase or decrease in effective rates is undertaken on an economic-based approach (assuming no asymmetrical movement and a constant statement of financial position status) is as follows:

Notes to the financial statements *(continued)*

At 31 December 2022	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 7 years £'000	Non-interest bearing £'000	Total £'000
Assets						
Loan and advances to Banks	13,344	9,957	24,705	-	-	48,006
Loans and advances to customers	275,306	12,011	44,420	74,987	1,115	407,839
Loans and advances to inter-group companies	32,851	-	-	-	-	32,851
Shares in group undertakings	-	-	-	-	500	500
Tangible fixed assets	-	-	-	-	2,713	2,713
Other assets	-	-	-	-	8,339	8,339
Total assets	321,501	21,968	69,125	74,987	12,667	500,248
Off balance sheet items	-	-	-	-	-	-
Total assets (with off balance sheet)	321,501	21,968	69,125	74,987	12,667	500,248
Liabilities and Equity						
Customer Deposits	72,757	22,040	94,981	63,970	-	253,748
Central Bank Facilities	99,201	-	-	-	-	99,201
Inter-group borrowing	72,032	-	-	-	-	72,032
Non-interest bearing liabilities	-	-	-	-	4,869	4,869
Equity	-	-	-	-	70,398	70,398
Total Liabilities	243,990	22,040	94,981	63,970	75,267	500,248
Off balance sheet items	-	-	-	-	-	-
Total liabilities (with off balance sheet)	243,990	22,040	94,981	63,970	75,267	500,248
Interest rate sensitivity gap	77,511	(72)	(25,856)	11,017	(62,600)	-
Cumulative gap	77,511	77,439	51,583	62,600	-	-

At 31 December 2021	Up to 1 month £'000	1 to 3 months £'000	3 to 12 months £'000	1 to 7 years £'000	Non-interest bearing £'000	Total £'000
Assets						
Loan and advances to Banks	94,365	5,000	19,997	-	-	119,362
Loans and advances to customers	262,959	15,358	56,014	141,262	1,282	476,875
Shares in group undertakings	-	-	-	-	500	500
Tangible fixed assets	-	-	-	-	4,119	4,119
Other assets	-	-	-	-	13,535	13,535
Total assets	357,324	20,358	76,011	141,262	19,436	614,391
Off balance sheet items	11,000	11,000	-	-	-	22,000
Total assets (with off balance sheet)	368,324	31,358	76,011	141,262	19,436	636,391
Liabilities and Equity						
Customer Deposits	82,230	25,673	132,791	171,452	-	412,146
Central Bank Facilities	98,531	-	-	-	-	98,531
Non-interest bearing liabilities	-	-	-	-	12,144	12,144
Equity	-	-	-	-	91,570	91,570
Total Liabilities	180,761	25,673	132,791	171,452	103,714	614,391
Off balance sheet items	11,000	11,000	-	-	-	22,000
Total liabilities (with off balance sheet)	191,761	36,673	132,791	171,452	103,714	636,391
Interest rate sensitivity gap	176,563	(5,315)	(56,780)	(30,190)	(84,278)	-
Cumulative gap	176,563	171,248	114,468	84,278	-	-

30.5 Capital risk

The primary purpose of capital is to absorb any losses that might arise from credit losses on lending, trading losses due to margin compression or costs associated with other adverse events such as operational errors. The Board determines the level of capital required to support the Bank's strategy by performing an annual Internal Capital Adequacy Assessment Process (ICAAP). Through this process the Bank reviews its risk management framework together with the financial projections developed for the strategic plan to assess the risks to which it is exposed, the adequacy of risk management, and the capital resources it needs to support the risk exposures over its strategic planning horizon. An allocation of capital is made for each of the following risks facing the Bank:

- Credit risk from retail and commercial lending
- Credit risk from treasury assets
- Concentration risk (increasing the risk presented by credit exposures)
- Interest rate risk
- Liquidity risk
- Operational risk

The allocation is based on regulatory requirements for credit and operational risk (Pillar 1) with additional allocations to reflect the residual risk beyond the Pillar 1 determination (Pillar 2A)

This initial level of capital allocation is based on an assessment at a fixed point in time. A further assessment is made (Pillar 2B) to determine the 'PRA buffer', which provides assurance that the Bank can meet capital requirements under stressed operating conditions. The determination of the PRA buffer is a forward-looking projection and uses outputs from the Bank's strategic plan, subjecting them to stresses over a five-year planning horizon.

The severity and duration of the stress scenarios used is determined with reference to the 'anchor stress scenarios' published by the PRA. Additionally, the Bank incorporates additional stresses making the capital stress greater than that prescribed by the regulator.

This stress testing enables the Bank to estimate the size of losses that may be incurred, determine the impact these would have on the Bank's capital and compare this with the additional capital requirements that may be needed in a stressed environment.

The impact of the stress testing is compared with the ability of the Bank to react to stressed conditions by modifying its strategic plan. In particular, the Bank retains the ability to control the rate of asset growth and in times of stress could reduce lending levels reducing the Bank's overall capital requirements that may be needed in a stressed environment.

The PRA buffer is set having regard to both the impact of the stress tests and the ability of the Bank to undertake a credible range of actions in response to a stress scenario in its Supervisory Review and Evaluation Process (SREP) through which it sets the Bank's capital requirements, expressed as a total capital requirement. The PRA adds a PRA buffer to the total capital requirement to ensure that the requirements may be met throughout the strategic planning horizon.

The ICAAP is reviewed by the Bank's Risk Committee before submission to the Board for review and formal approval. Capital levels for the Bank are reported to and monitored by the Bank's Board at each meeting. The Bank retains a strong capital base, maintaining capital levels substantially above the current regulatory requirements.

Management of risk

The management of risk is a fundamental aspect of the Bank's policies. To achieve this the Board of Directors have established and are committed to maintaining an effective risk management framework and risk culture whereby proper controls exist to protect the Bank from risk, ensuring that at all times the Bank complies with all relevant legislation. The Bank has implemented its own governance arrangements to provide oversight to the Bank's risk management framework including Board sub-committees to cover risk and audit matters respectively. Underpinning our management of risk is the Bank's risk appetite, which is set by the Board and details the amount of risk we are prepared to accept in pursuit of our business objectives. Any new risk exposure, or change to any existing risk exposure, is considered in light of this risk appetite before being accepted. Our risk appetite is further broken down into the key elements of risk identified above, each having their own risk appetite.

The Bank's governance structure includes risk, compliance and internal audit functions to assess the quality of internal control systems. The Bank currently outsources the internal audit function to Deloitte, an independent professional services firm.

Operational risk

This represents the risks associated with the internal failure of systems or people, or the risk arising from external events.

These are risk events such as internal fraud, the failure of internal IT infrastructure, or external factors such as terrorism, which have the potential to impact on the Bank's ability to carry on its business. It is the policy of the Bank to protect its staff, customers, and its own reputation and assets from physical risk and financial loss through fraud or avoidable error. The Bank maintains a strong control culture. The Bank's policies and procedures are designed to prevent irregularities arising from human error or misconduct, systems failure or inadequate procedures and controls. In addition, the Bank has in place a business disaster recovery plan.

From time to time and in the normal course of business, claims against the Bank may be received, and these can relate to regulatory rules. Through consideration of the legal and regulatory requirements and on both internal and external professional advice, management is of the opinion that no material liabilities will arise in respect of these matters and hence no provision is made in these financial statements.

31 Value of financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. The Bank is a retailer of financial instruments, mainly in the form of retail and commercial loans and savings products. The Bank uses wholesale financial instruments to invest in liquid assets and obtain funding from its parent undertaking.

The Bank has a formal structure for managing risk, including established risk limits, reporting lines, mandates, credit risk appetite and other control procedures. The Bank has an Asset and Liability Committee ("ALCO") which monitors the Bank's financial position, funding and liquidity in line with the Bank's key policy statements.

Key performance indicators are provided to the Board at each meeting and monthly to ALCO.

The company is no longer a participant in the Bank of England's Funding for Lending Scheme. This scheme allowed participants to borrow treasury bills from the Bank of England against collateral, in the form of certain eligible loans and advances, which was placed with the Bank of England.

The company is a participant in the Bank of England's Term Funding Scheme. This scheme allows participants to draw funds from the Bank of England against collateral, in the form of certain eligible loans and advances, which is placed with the Bank of England. The value of this collateral at 31 December 2022 was £156.5m (2021: £164.7m).

Notes to the financial statements *(continued)*

Set out below is a summary of the terms and conditions and accounting policies for financial instruments.

Financial instrument	Terms and conditions	Accounting policy
Loans and advances to banks	Fixed interest rates Fixed term Short term maturity	Loans amortised at cost less impairment Accounted for at settlement date
Debt securities	Fixed or risk free rate linked interest rates Fixed term Short to medium term maturity	Debt instruments at amortised cost Accounted for at settlement date
Loans and advances to customers	Fixed or variable interest rates	Loans amortised at cost less impairment Accounted for at settlement date
Retail deposits	Fixed or variable term Fixed or variable interest rates	Amortised cost Accounted for at settlement date

Financial assets and liabilities measured on an ongoing basis are held at either amortised cost or cost less impairment. Note 6: 'significant accounting policies' describes how the classes of financial instruments are measured and how income and expenses are recognised. None of the Bank's financial assets or liabilities are measured at fair value.

32 Financial Services Compensation Scheme (FSCS) levy

Based on its share of protected deposits, the Bank, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims against it. In previous years the FSCS levy consisted of two parts – a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the FSCS pays, net of any recoveries it makes using the rights that have been assigned to it. In 2008 claims were triggered against the FSCS by the failures of Bradford & Bingley and three Icelandic owned banks, Kaupthing Singer and Friedlander, Heritable Bank and Landsbanki hf. Since December 2008 there have been further claims triggered by the failures of London Scottish Bank and Dunfermline Building Society.

During the year the Bank made contributions to the FSCS levy of £7k (2021: £6k) under the management expenses levy and the compensation levy.

33 Segmental reporting

The Bank operates in one segment of business which is lending. All income on loans granted arises in the United Kingdom.

34 Related party transactions

Following the acquisition by HTB, the Bank closed the Bank of England reserve account and lent the cash to HTB. HTB in turn deposited this in their own reserve account. Funds are held to cover both HTB and the Bank as a group liquidity requirement. As the Bank deposits run off, funds are drawn from HTB under an interest bearing intra group funding arrangement.

The value of intercompany loans to subsidiaries at the 31 December 2022 are provided in notes 18 and 24. The value of interest earned on intercompany loans is provided in note 7.

On the 31 March 2022 Wesleyan Bank Limited transferred an existing Block Discounting portfolio to HTB at book value of £20m. Since this date HTB has paid monthly service fees totalling £26k to Wesleyan Bank Limited for the continued servicing of the portfolio.

Included within Administrative expenses are management recharges of £6.5m from HTB for transition costs incurred in the integration of systems and processes into the Bank's operational infrastructure following acquisition, and staff costs related to ongoing management activities.

On 30th November 2022 the Bank paid a dividend in cash of £20m (2021: £nil) to HTB.

35 Ultimate parent company

The immediate parent company of Wesleyan Bank Limited at the balance sheet date was HTB.

Copies of the consolidated financial statements of HTB may be obtained from the Company Secretary at 55 Bishopsgate, London, EC2N 3AS.

HTB is a subsidiary undertaking of Hoggant Limited, which is incorporated in England and Wales and is the largest company in which the results of the Bank are consolidated. The majority of Hoggant Limited's equity is owned by Hoggant L.P. a limited partnership incorporated in Guernsey. Hoggant L.P. is not controlled by a single party and is majority owned by funds managed by Alchemy Special Opportunities (Guernsey) Limited. The consolidated financial statements of Hoggant Limited are available on request from 55 Bishopsgate, London EC2N 3AS.

36 IFRS first time adoption

As stated in note 2, these are the Bank's first financial statements prepared in accordance with IFRSs. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2022, the comparative information presented in these financial statements for the year ended 31 December 2021 and in the preparation of an opening IFRS statement of financial position at 1 January 2021 (the Bank's date of transition).

In preparing its opening IFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with FRS102. An explanation of how the transition from FRS102 to IFRSs has affected the Banks's financial position, financial performance is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

		1 January 2021			31 December 2021		
	Note	FRS102 £'000	Effect of transition to IFRSs £'000	IFRSs £'000	FRS102 £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Assets							
Loans and advances to banks		43,969	-	43,969	119,362	-	119,362
Loans and advances to customers at amortised cost	*a*	379,854	7	379,861	484,490	(7,615)	476,875
Shares in group undertakings		500	-	500	500	-	500
Right-of-use assets	*b*	-	534	534	-	403	403
Tangible assets		4,708	-	4,708	3,716	-	3,716
Deferred tax asset	c	3,603	-	3,603	3,792	814	4,606
Other assets		7,358	2,702	10,060	4,687	4,242	8,929
Total assets		**439,992**	**3,243**	**443,235**	**616,547**	**(2,156)**	**614,391**
Liabilities							
Deposits by Banks		13,000	-	13,000	98,531	-	98,531
Customer Accounts		330,042	-	330,042	412,146	-	412,146
Finance lease liability	*b*	-	537	537	-	407	407
Other Liabilities	*b*	10,363	(300)	10,063	11,755	(18)	11,737
Total liabilities		353,405	237	353,642	522,432	389	522,821
Equity							
Called up share capital		114,040	-	114,040	118,040	-	118,040
Retained earnings	*a,b*	(27,453)	3,006	(24,447)	(23,925)	(2,545)	(26,470)
Total equity		86,587	3,006	89,593	94,115	(2,545)	91,570
Total liabilities and equity		**439,992**	**3,243**	**443,235**	**616,547**	**(2,156)**	**614,391**

Notes to the financial statements *(continued)*

Reconciliation of comprehensive income for the year ended 31 December 2021

	Note	FRS102 £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Interest and similar income				
Interest income calculated using the effective interest method	*a,d*	21,835	(502)	21,333
Total interest and similar income		21,835	(502)	21,333
Interest expensed and similar charges	*b*	(4,591)	(23)	(4,614)
Net Interest Income		17,244	(525)	16,719
Operating Lease income		2,240		2,240
Fees and commission income	*d*		194	194
Fees and commission payable	*d*		(191)	(191)
Other income	*d*	380	430	810
Operating income		19,864	(92)	19,772
Administrative expenses	*b*	(14,634)	254	(14,380)
Depreciation	*b*	(1,985)	(79)	(2,064)
Impairment gains/(losses) on loans and advances to customers	*a*	99	(6,447)	(6,348)
Profit on ordinary activities before tax and dividend		3,344	(6,364)	(3,020)
Interim dividend received		330	-	330
Profit on ordinary activities before taxation		3,674	(6,364)	(2,690)
Tax on profit on ordinary activities	*c*	(146)	814	668
Total comprehensive income for the year, net of tax		3,528	(5,550)	(2,022)

The adjustment to interest income includes £84k adjustment in relation to release of suspended interest, now incorporated in provisions and £586k in relation to reclassifications shown in note d.

Notes to the financial statements *(continued)*

Notes to the reconciliations

a Changes in relation to IFRS9

Transition

The classification, measurement and impairment requirements have been applied retrospectively by adjusting the opening reserves at the date of initial application, 1 January 2020.

The increase in the loss allowance has been deducted from reserves at 1 January 2020 and as such has immediately reduced the Bank's regulatory capital.

Impact

The change in impairment methodology has resulted in an increase in the Bank's impairment provision for credit losses relating to loans and advances to customers of 3.3m. The changes have had no material impact on the Bank's treasury assets due to the high credit quality of the Bank's portfolio. The day 1 adjustment impacts opening reserves, directly in retained earnings, net of deferred tax. The net impact to retained earnings is £2.5m.

The impairment model in IFRS 9 is an expected loss model, which means that it is not necessary for a loss event to occur before an impairment loss is recognised. The impairment allowance is more forward-looking. The impairment requirements apply to all financial assets at amortised cost, debt financial assets at FVOCI and loan commitments but not those measured at FVTPL.

Impairment

Presented below is a high-level reconciliation of the 2021 IAS 39 impairment provision as at 31 December 2021 to the IFRS 9 ECL allowance as at 1 January 2022.

IAS 39 to IFRS 9 ECL reconciliation

	FRS102	Day 1		IFRS 9
	£'000	£'000		£'000
Collective	3,180	3,356	stage 1	4,233
Specific	7,750		stage 2	1,714
			stage 3	8,339
	10,930	3,356		14,286

The IAS 39 incurred loss impairment approach has been replaced with an IFRS 9 expected credit loss (ECL) approach. All impairment adjustments have arisen due to this change.

Notes to the financial statements *(continued)*

IFRS 9 Financial Instruments classification and measurement

FRS 102	IFRS
Financial instruments are classified as 'basic' or 'other', depending on the terms and conditions of each individual instrument. Basic financial instrument are subsequently measured at amortised cost and financial instruments classified as "other" must be subsequently measured at fair value.	IFRS 9 has separate classification and measurement requirements applicable to financial assets and financial liabilities. Financial assets that are debt instruments are classified based on the contractual cash flow characteristic test and the business model test, and are measured at: • Amortised cost (if they meet the contractual cash flow characteristic test and are held with the business model to hold and collect the contractual cash flows).

This standard has been adopted from 1 January 2022, with the date of transition 1 January 2021. This replaces IAS 39 Financial instruments: Recognition and Measurement, and represents a significant change, to the accounting for financial assets as well as aspects of the accounting for financial liabilities. Adoption of IFRS 9 has led to new accounting policies for the classification and measurement of financial instruments and the impairment of financial assets and loan commitments, as well as additional disclosures as a result of consequential amendments to IFRS 7.

Under IFRS 9, the Bank has an accounting policy choice and can remain with IAAS 39 hedge accounting. As the Bank does not currently use derivatives, this part of the standard has no immediate impact.

In accordance with the transition methods allowable under IFRS 9, the Bank has selected to apply the changes retrospectively by adjusting opening reserves as at 1 January 2021.

Implementation of IFRS 9 has reduced net assets as at 1 January 2021 by £3.0m.

Impairment charge for credit losses

All impairment credits or charges relate to loans and advances to customers.

As at 31 December 2022, the customer loan provision is £10,300k (2021 restated £14,286k) under IFRS 9.

FRS102 to IFRS9 reconciliation £'000

As at 31 December 2021

	FRS102			IFRS 9		IFRS 9
	Customer balances	Reclassified under IFRS (see note d)	IFRS impairment model			
Commercial*	295,518	(56)	603	296,065	stage 1	287,934
					stage 2	6,137
					stage 3	1,994
						296,065
Personal	28,797	-	(287)	28,510	stage 1	24,292
					stage 2	804
					stage 3	3,414
						28,510
Asset Finance	171,106	(4,204)	(316)	166,586	stage 1	157,551
					stage 2	4,003
					stage 3	5,032
						166,586
Total	495,421	(4,260)	-	491,161		491,161
Impairment	(10,930)	-	(3,356)	(14,286)		(14,286)
Customer balances	484,491	(4,260)	(3,356)	476,875		476,875

(* This includes the Block Discounting portfolio of £21m which was transferred to HTB on 31 March 2022)

Notes to the financial statements *(continued)*

The following tables detail the gross carrying value of loans to customers by ECL stage and changes in the loss allowance during the year.

As at 31 December 2021

	Under IFRS 9				Under FRS102
	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**	**Total £'000**
Commercial	287,934	6,137	1,994	296,065	295,518
Retail	24,292	804	3,414	28,510	28,797
Asset Finance	157,551	4,003	5,032	166,586	171,106
Total Exposure	**469,777**	**10,944**	**10,440**	**491,161**	**495,421**
Off Balance Sheet Loan Commitments					
Total Gross Exposure	**469,777**	**10,944**	**10,440**	**491,161**	**495,421**
Less: allowance for impairment	4,233	1,714	8,339	14,286	10,930
Total Net Exposure	**465,544**	**9,230**	**2,101**	**476,875**	**484,491**

b Changes in relation to IFRS 16

The Bank has adopted IFRS 16 from 1 January 2022, with the date of transition 1 January 2021. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Transition

The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2021 with restatement of prior period.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The incremental borrowing rate is determined by analysing borrowings from/to external sources adjusted to reflect the terms of the lease and the type of asset leased.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments with these leases as an expense on a straight-line basis over the lease term.

Wesleyan Bank currently has two significant property leases for its office sites in Northwich and New Malden as its identified lease assets.

Notes to the financial statements *(continued)*

As at 1 Jan 2021, the net impact on transition in retained earnings is an decrease of £4k for the Northwich and New Malden lease.

The lease liability as at 31 Dec 2021 is £407k (31 Dec 2020 £537k) is measured based on the present value of the lease payments payable over the remaining lease term, discounted at incremental borrowing rate of 5%.

The right of use asset as at 31 Dec 2021 is £403k (31 Dec 2020 £534k) calculated as if IFRS 16 had always been applied from lease inception, depreciating the original right of use asset straight line over the lease term.

Comparative figures for the year ended December 31, 2021 are restated to reflect the adoption of IFRS 16.

Presented below is a high level presentation of the effect of this transition. The net impact to retained earnings at 1 January 2022 is £1k increase.

IFRS 16 adoption effect on retained earnings

	2021 £'000	2020 £'000
Right-of-use Asset	403	534
Lease liability	(407)	(537)
Retained earnings adjustment	(4)	(3)

As at 31 December 2021, the net impact on transition in retained earnings is a decrease of £4k for Northwich and New Malden lease.

In addition to the timings of costs, the classification will also be different. Under FRS102, all of the costs of the lease are treated as administrative expenses, whereas under IFRS 16, costs are treated as administrative costs (depreciation) and interest expense (financing cost).

	01-Jan-21 IFRS16 £'000	Interest expense and similar charges £'000	Admin expenses £'000	Depreciation £'000	Tax £'000	IFRS 16 adjustments £'000	31-Jan-21 IFRS16 £'000
Right-of-use asset	659	-	-	-	-	-	659
Right-of-use asset depreciation	(125)	-	-	(132)	-	(132)	(256)
	534	-	-	(132)	-	(132)	403
Lease liability	(537)	(23)	154	-	-	131	(407)
Tax	-	-	-	-	-	-	-
Retained earnings	(3)	(23)	154	(132)	-	(1)	(4)
Interest payable lease liability		23	-	-	-	23	
Right-of-use asset depreciation		-	-	132	-	132	
Rent & Rates		-	(154)	-	-	(154)	
Tax		-	-	-	-	-	
Retained earnings		23	(154)	132	-	1	

Notes to the financial statements *(continued)*

c ***IFRS 9 deferred tax***

Upon first adoption of IFRS 9, Corporation Tax regulations state that the tax on the transitional adjustment which reduces taxable profits in respect of credit losses is to be spread over 10 years, creating a deferred tax asset.

IFRS 9 impairment adjustment £3,356k

Spread of tax

Year	Rate of corporation tax	Tax	Annual release	Deferred tax balance	
		£'000	£'000	£'000	
2022	19.00%	638	64	750	(see note 14)
2023	23.50%	789	78	672	
2024	25.00%	839	84	588	
2025	25.00%	839	84	504	
2026	25.00%	839	84	420	
2027	25.00%	839	84	336	
2028	25.00%	839	84	252	
2029	25.00%	839	84	168	
2030	25.00%	839	84	84	
2031	25.00%	839	84	0	
Average rate	24.25%				

d ***Reclassification of fees and commission under IFRS***

Under IFRSs the Bank's accounting policy is to recognise fees and commission income and payable separately.

Under FRS102 these were recognised in interest income. The December 2021 statement of comprehensive income has been restated to reflect this. The effect of reclassifying these accounts is nil.

	2021 Re-classification
	£'000
Interest income calculated using the effective interest method	(586)
Fees and commission income	194
Fees and commission payable	(191)
Other income	430
Administrative expenses	100
Depreciation	53
	-

The following reclassifications have been made to the statement of financial position

	2021 Re-classification
	£'000
Loans and advances to customers at amortised cost	(4,260)
Other assets	4,242
Other liabilities	18
	-

Notes to the financial statements *(continued)*

37 Dividends

On the 30 November 2022, the Directors approved the payment of a £20m first interim dividend (2020: nil) to HTB

38 Events after the reporting date

Subsequent to the year end and prior to the approval of these financial statements, the Directors approved a second interim dividend of £22.5m payable to HTB. (2021: nil)