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Secure Trust Bank PLC
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SECURE TRUST BANK PLC

Preliminary Results for the 12 months to 31 December 2024

Solid growth and improved cost to income ratio

Tangible book value per share increased to £18.64

David McCreadie, Chief Executive, said:

"Secure Trust Bank has remained focused on its medium-term targets and strategic priorities, delivering on balance sheet growth, stabilising net interest margin, and delivering cost efficiencies. The business has delivered an 18.0% increase in its adjusted[1] profit before tax pre impairments. We have continued to grow our loan book towards our £4 billion target, at which point we expect to deliver an adjusted[1] return on average equity of 14-16%. As such, we remain confident in achieving our medium-term targets which we will have largely delivered by the end of 2025."

Financial Highlights[2]

- **8.8% growth in lending balances to £3.6 billion (2023: £3.3 billion) driven by record new lending volumes**
- **Total profit before tax of £29.2 million decreased by 12.6% (2023: £33.4 million)**
- **Adjusted[1] profit before tax pre impairments up 18.0% to £100.9 million (2023: £85.5 million)**
- **Adjusted[1] profit before tax of £39.1 million down 8.2% (2023: £42.6 million)**
- **Net Interest Margin ('NIM') stable at 5.4% (2023: 5.4%) with improvement in H2 2024 (H2 2024: 5.5%; H1 2024: 5.3%)**
- **Adjusted[1] cost income ratio improved by 310 bps to 50.9% (2023: 54.0%) (H2 2024: 48.4%, H1 2024: 53.7%). Statutory cost income ratio at 55.8% (2023: 57.5%)**
- **Project Fusion delivered the initial target of £5 million[3] of annualised cost savings by the end of 2024, and will deliver a further £3 million[3] of cost savings in 2025**
- **Cost of risk increased to 1.8% (2023: 1.4%) impacted by the pause in our collection processes in Vehicle Finance during H2 2023 and collections challenges in H1 2024**
- **Tangible book value per share increased 4.7% to £18.64 per share (2023: £17.80 per share)**
- **Exceptional costs of £9.9 million (£6.5 million), includes £6.9 million of potential redress and costs relating to motor commissions**

Secure Trust Bank PLC ('Secure Trust Bank', 'STB' or the 'Group') achieved net lending growth of 8.8% (£293.2 million), primarily driven by the Consumer Finance business, which grew by 13.4% (£225.7 million). Business Finance saw growth of 4.2% (£67.5 million), which was driven by the Real Estate Finance business with growth of £97.6 million combined with a small year-on-year reduction in Commercial Finance, which continued to be impacted by a subdued market. This resulted in a stable NIM of 5.4% (2023: 5.4%), reflecting improvement in the second half of the year (H2 2024: 5.5%; H1 2024: 5.3%).

Customer deposits reached a record level of £3.2 billion (2023: £2.9 billion) through a combination of growth in Access accounts and ISAs. This increase alongside the use of ILTR funding enabled us to repay £160.0 million of TFSME funding in 2024 ahead of maturity. A further £60.0 million of TFSME funding was repaid by the end of February 2025, leaving £170.0 million outstanding.

Project Fusion, the Group's cost optimisation programme, continued to contribute to our adjusted[1] cost income ratio which improved from 54.0% in 2023 to 50.9%, limiting cost growth to 4.1%. Adjusted[1] cost income ratio was 48.4% for H2 2024, reflecting the ongoing growth of the loan book and tight cost control.

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The impairment charge of £61.9 million (2023: £43.2 million) was significantly impacted by the pause in our collection processes in Vehicle Finance during the second half of 2023 following the FCA's Borrowers in Financial Difficulty ('BiFD') review. Delayed repossession and recovery activities created operational challenges in the first half of 2024 and resulted in an elevated stock of defaulted loans. Strategic initiatives to recover a proportion of these defaults were hampered by the market environment following the Court of Appeal judgment in October 2024. Initiatives to reduce these excess default balances in Vehicle Finance are underway in 2025. The credit quality of new lending in the Vehicle Finance business has improved over time and arrears levels have reduced over the year from 12.2% to 10.0%. Retail Finance cost of risk improved to 1.0% (2023: 1.4%) reflecting the quality of business written and IFRS 9 model enhancements. The impairment charge for the year also reflects a loss of £5.6 million in Commercial Financial due to a client failing through challenges in the market in which it operated.

On an adjusted[1] basis the Group achieved a profit before tax of £39.1 million (2023: £42.6 million), a decrease of 8.2%. Total profit before tax of £29.2 million (2023: £33.4 million) was impacted by exceptional items (£9.9 million) in 2024 (2023: £6.5 million). The Group achieved an adjusted[1] return on average equity ('ROAE') of 8.0% (2023: 9.6%) and a common equity tier 1 ratio of 12.3% (2024: 12.7%).

Further information on exceptional items relating to BiFD and motor commissions are detailed below. The remaining costs were for the Group's organisational redesign (£1.5 million) relating to employee redundancies, which will deliver the additional annualised savings under Project Fusion of £3 million[3] to be realised in 2025.

Capital ratios have reduced in the period by 0.4 percentage points due to the exceptional items impact of 0.3 percentage points and capital generated being utilised to support growth in Risk Weighted Assets ('RWAs') and dividends.

Financial summary[2]

	2024	2023	Change[4] %
Total statutory profit before tax	**£29.2m**	**£33.4m**	**(12.6)**
Adjusted[1] profit before tax	**£39.1m**	**£42.6m**	**(8.2)**
Adjusted[1] profit before tax and pre impairments	**£100.9m**	**£85.5m**	**18.0**
Total basic earnings per share	103.4 pence	129.6 pence	(20.2)
Continuing basic earnings per share	103.4 pence	140.8 pence	(26.6)
Total ordinary dividend per share	**33.8 pence**	**32.2 pence**	**5.0**

Total return on average equity	5.5%	7.3%	(1.8)pp
Adjusted[1] return on average equity	8.0%	9.6%	(1.6)pp
Net interest margin	5.4%	5.4%	-
Cost of risk	1.8%	1.4%	0.4pp
Adjusted[1] cost income ratio	50.9%	54.0%	(3.1)pp
Cost income ratio	55.8%	57.5%	(1.7)pp
Net lending balances	£3,608.5m	£3,315.3m	8.8
Customer deposits	£3,244.9m	£2,871.8m	13.0
Tangible book value per share	£18.64	£17.80	4.7
CET 1 ratio	**12.3%**	**12.7%**	**(0.4)pp**
Total capital ratio	**14.6%**	**15.0%**	**(0.4)pp**

Optimising for Growth: Further strategic progress

The Group has made good progress against its strategic priorities of **Simplify**, **Enhance Customer Experience** and **Leverage Networks** during the year. This strategic progress has driven our loan book growth and cost efficiency.

- As at the end of 2024 Project Fusion has delivered £5 million of annualised cost savings[3], and will deliver another £3 million[3] of cost savings in 2025, which has mostly been obtained by the Group's organisational redesign.
- Vehicle Finance will complete its move to a single technology platform, which will facilitate applicants to be matched to our most suitable product offering based on their credit profile.
- Market share gains in 2024 for both Retail Finance and Vehicle Finance, and will maximise the opportunities from their strong networks.

Other highlights

- Customer satisfaction remains high, as measured by Feefo, 4.7 stars (2023: 4.6 stars)
- Listed as an official UK Best Workplace™ for the sixth year running, ranking 26 out of 105 companies (large organisations category) and, in the first year of rankings, for a new category of Development, ranking 26 out of

100 companies (large organisations category).

- We recently became members of Partnership for Carbon Accounting Financial ('PCAF'), which underlines our ongoing commitment to measure and monitor our environmental impacts as part of our Environmental, Social and Governance ('ESG') strategy, which enhanced our Scope 3 emissions reporting.

- Our initiatives in energy efficiency and cost control led to a 55.5% reduction in Scope 1 and Scope 2 CO_2e emissions. This surpasses our target of a 50% reduction by December 2025, compared to the 2021 baseline.

Regulatory and legal developments

As highlighted at the end of 2023, we have been working on improving our collections processes, procedures and policies following the FCA's review of BiFD across the industry. The BiFD review resulted in payments to customers for historical distress and inconvenience which were materially provided for in the 2023 accounts. The majority of customer communications have now been distributed, and we expect to complete activities by the middle of 2025. This was a delay on our initial timetable, as we took additional time to ensure the quality and clarity of our correspondence was appropriate for our customers. We incurred an additional £1.5 million of cost (treated as exceptional) during 2024, primarily in relation to managing the programme.

In light of legal and regulatory developments, including the FCA's ongoing review of the historical discretionary commission arrangements ('DCA') in the motor finance market (January 2024), and the Court of Appeal's judgement (October 2024) which is currently under appeal, the Group has recognised costs of £6.9 million (£5.2 million potential redress, £1.7 million costs, of which £6.4 million is recognised as a provision) for both DCA and fixed commission structures.

The Vehicle Finance business sometimes operated DCAs until June 2017, stopping using them well ahead of the FCA banning their use in January 2021. Only 4% of our Vehicle Finance commission payments had these arrangements. Not all of the fact pattern in the three Court of Appeal cases is the same as how the Group operated. A key feature of their fact pattern was the linked sale by a dealer of the vehicle and the direct introduction of the finance by that same dealer. Sales by a dealer made up only 20% of our motor commission payments. 80% of motor commission was not paid through dealers but through brokers and various other introducers. Due to the uncertain outcomes (including the nature, extent and timing) of the legal and regulatory developments, we have undertaken scenario analysis with a number of different assumptions, which have been probability weighted to estimate a potential exposure. As and when new information becomes available, these assumptions will be updated accordingly and so the provision could be materially higher or lower. Further information can be found in Note 29 to the Financial Statements.

Dividend

The Directors are proposing a final dividend of 22.5 pence per share for 2024, which will be payable on 22 May 2025 to shareholders on the register at the close of business on 25 April 2025. The total dividend payable for 2024 is 33.8 pence per share (2023: 32.2 pence per share). This is in line with the Board's decision to move to a progressive dividend policy for the 2024 financial year, reflecting feedback from shareholders. The total dividend pence per share represents a 5% increase against prior year.

Outlook

Although 2024 has left us on balance with a more positive economic outlook, the expected stability and optimism for growth that was promised from a change in UK government has not yet materialised. Interest rates have started slowly to come down following a period of stabilised inflation figures, but concerns exist over growth in the UK economy and the perceived adverse impact of the new Chancellor's Budget on the market, businesses and consumer confidence. There has also been additional geopolitical uncertainty due to the change of legislature in the US, notably how new economic policy will influence global markets.

2024 has been extremely challenging for specialist banks due to the regulatory and legal developments that have taken place with respect to historical motor finance commissions. We are acutely aware that the perceived risk of these proposed developments is dampening investor sentiment to the sector. We are hopeful that the industry will receive the clarity it needs on motor finance commissions mid 2025, and that we can move forward with confidence and renewed focus on delivering against our strategic objectives.

Subject to no adverse changes in the economy and trading environment, we expect by the end of 2025 we will be well positioned to have largely delivered against our £4 billion net lending target.

Medium-term targets	**2024 Actual**	**Target**
Net lending balance	£3.6bn	£4bn
Net interest margin	5.4%	>5.5%
Adjusted[1] cost income ratio	50.9%	44-46%
Adjusted[1] return on average equity	8.0%	14% - 16%
CET 1 ratio	12.3%	>12.0%

Footnotes:

1. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million). Details can be found in Note 8 to the Financial Statements.

2. Performance metrics relate to continuing operations, unless otherwise stated. Further details of the metrics can be found in the Appendix to the 2024 Annual Report and Accounts.

3. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million cost savings relative to annualised operating expenses for the six months ending 30 June 2024.

4. pp represents the percentage point movement

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Results presentation

This announcement together with the associated investors' presentation are available on:www.securetrustbank.com/results-reports/results-reports-presentations

Secure Trust Bank will host a webcast for analysts and investors today, 13 March 2025 at 9:00am, which can be accessed by registering at: https://brrmedia.news/STB_FY24

For those wishing to ask a question, please dial into the event by conference call:

Dial +44 (0)330 551 0200

UK Toll Free: 0808 109 0700

Confirmation code (if prompted): Secure Trust Bank

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Forward looking statements

This announcement contains forward looking statements about the business, strategy and plans of STB and its current objectives, targets and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about STB's or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. STB's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors. These include economic and business conditions, risks from failure of clients, customers and counterparties, market related risks including interest rate risk, risks regarding market conditions outside STB's control, expected credit losses in certain scenarios involving forward looking data, operational risks, legal, regulatory, or governmental developments, and other factors. The forward looking statements contained in this announcement are made as of the date of this announcement, and (except as required by law or regulation) STB undertakes no obligation to update any of its forward looking statements.

Group at a glance

Our strategic progress

Simplify

- Initial Project Fusion target achieved, with **£5 million annualised cost savings**[1]
- **Organisational redesign completed** with IT and Operations consolidated under a single management structure
- New Project Fusion target announced at half year on track to achieve an **additional £3 million annualised cost savings**[1] in 2025
- Delivered over **50% reduction** in Scope 1 and Scope 2 CO_2 target for **emissions** one year early (since 2021)
- Delivering our cost savings target improves our **cost income ratio and return on equity**

Enhance customer experience

- Digital-first approach for Savings, delivering an **enhanced online application process**
- **Over 87% self-service adoption** in Retail Finance, and app rollout to allow customer self-servicing

- **Over 87% self-service adoption** in Retail Finance, and app rollout to allow customer self-servicing
- **Automated savings bond maturity process** implemented
- Customer **Feefo score** of 4.7 **stars** and 4.6 **stars** for **Trustpilot**
- Delivering **cost-efficiency and balance sheet growth** by retaining satisfied customers

Leverage networks

- **Extended contracts** with key furniture and jewellery retailers in Retail Finance
- **Extensive distribution relationships** across consumer businesses
- **Repeat business and client retention** within Business Finance from **established relationships**
- **Market share gains** of new business in both Retail Finance and Vehicle Finance
- Driving growth in **net lending and net interest margin** as our balance sheet mix moves towards consumer lending

Enabled by technology

- **Vehicle Finance rate for risk platform launched**, facilitating applicants to be matched to our products
- Use **of AI tools and automated data gathering** in complaints handling
- **Savings app enhancements**, with more transactional activity and **over 30%** of customers registered
- Platforms proven to be **scalable and flexible with increased partner API integrations**
- A digital-first approach supports **cost-efficiencies and growth capacity**

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings will be relative to annualised operating expenses for the six months ended 30 June 2024.

Chair's statement

We have delivered a resilient performance in 2024, in a challenging operating environment with elevated inflation, continued high interest rates, a new UK government and slowing economic growth, causing uncertainty across the markets in which we operate. In addition, like many other firms across the sector, we faced significant legal and regulatory headwinds, which have created further uncertainty and disruption.

Despite these challenges, we have continued to focus on delivering for our customers, which has driven continued lending growth across both our Consumer and Business Finance segments. During the year, we have taken decisions to refocus our Vehicle Finance business, invest in our collections capability and simplify our organisational design, further reducing complexity and costs.

First impressions

I joined Secure Trust Bank because I believe in the underlying strength of the business and the strategic growth opportunities available. Since my appointment as Chair in May 2024, I have engaged with many people across the business and visited our key offices, which has served to reinforce my initial views. I have been particularly impressed by the commitment shown by our people, who are dedicated to delivering for our customers and helping them to fulfil their ambitions. This focus on our customers and achieving good outcomes for them, will drive our future success.

I have welcomed the opportunity to meet with many of our major shareholders and hear their views, on the business and the markets in which we operate. This engagement has been very valuable as I have transitioned into the Chair role.

In-line with feedback from shareholders, we have enhanced our segmental reporting, providing greater granularity on the performance of each business unit, further information on which can be found in Note 3 of the Financial Statements.

Business performance

Adjusted[1] profit before tax for the year ended 31 December 2024 was £39.1 million (2023: £42.6 million) and statutory profit before tax was £29.2 million (2023: £36.1 million). Excluding impairment charges, which were impacted by the FCA's Borrowers in Financial Difficulty ('BiFD') review as explained in the following section, adjusted[1] profit before tax pre-impairments increased 18.0% to £100.9 million (2023: £85.5 million).

Adjusted[1] return on average equity has decreased to 8.0% from 9.6% in 2023; improving the bank's return on equity across the business units is a key area of focus for the Board and management.

We have taken several decisions during the year to accelerate the growth in our return on equity, particularly within our Vehicle Finance business, where we have refined our strategy to focus on higher returning segments of the market and made further investments to improve our collections processes. Across the Group we have implemented centralised operating and governance models, which have reduced complexity, improved the consistency of service to clients, delivered cost efficiencies and resulted in a more agile organisation.

Legal and regulatory developments

The FCA's BiFD review and subsequent engagement with the regulator meant the Group paused collections processes in our Vehicle Finance business during the second half of 2023. During the year, we have invested in our collections capabilities, to enhance the outcomes for our customers and improve our processes. The reduced collections activity into 2024 resulted in a material increase in our impairment charges in 2024, which impacted our profitability for the year. Collections activity returned to normalised levels during H2 24 and we are considering options to manage the level of defaulted stock.

Separately, in January 2024 the FCA launched a review of the historic use of discretionary commission arrangements ('DCAs') in the motor finance market. DCAs were prohibited by the FCA in 2021, although the Group ceased these types of arrangements well before in June 2017.

The Court of Appeal's October 2024 judgment on three motor commission cases led to lending pauses and uncertainty across the motor finance market and is the subject of a Supreme Court appeal. There are important differences in the fact patterns in those cases and our lending model. We also believe that key aspects of the judgment, if upheld, go beyond the regulatory requirements applied by the FCA, and generally understood by market participants, at the time. Further information can be found in Note 29 of the Financial Statements.

Immediately before the Court of Appeal's judgment, the Company's share price had increased by 18% for the year to October. After this judgment and with the continuing uncertainty in the sector, our share price fell by 48% to £3.62 as at 31 December 2024, significantly below the Group's tangible book value of £18.64.

Capital management and dividend

As at 31 December 2024 the Group's Common Equity Tier 1 ratio was 12.3% (2023:12.7%). The optimal deployment of our capital and the returns it generates will be a key area of focus during 2025, as we balance maintaining a healthy capital surplus with investing for growth and returns to shareholders.

With effect from the 2024 AGM we implemented a new progressive dividend policy, which means dividends will be no less than that of the previous year. Under the policy the Board will consider the Group's capital requirements, liquidity and market expectations in determining the specific amount. In-line with that policy the Board proposes a final dividend of 22.5 pence per share (2023: 16.2 pence per share), which if approved by shareholders at the Company's 2025 AGM, will be paid on 22 May 2025 to those shareholders on the register on 25 April 2025.

Governance

There have been a number of changes to the Board during the year. Victoria Stewart, a Non-Executive Director and Chair of the Remuneration Committee, stood down from the Board on 31 December 2024, after entering her ninth year as a Director. I would like to thank Victoria for her stewardship of the Remuneration Committee and her wider contribution to the development of the Group throughout her tenure.

In October, we welcomed Julie Hopes to the Board, who succeeded Victoria as Chair of the Remuneration Committee with effect from 31 December 2024. Julie has strong experience of Chairing Remuneration Committees, particularly within Financial Services, and brings a strategic mindset, experience of business transformation and a strong focus on consumers.

In October, we also appointed Victoria Mitchell, an existing Non-Executive Director to our Risk Committee. Victoria previously served as the Chief Risk Officer of Capital One (Europe) plc and her experience further strengthens and broadens the experience of the Risk Committee.

Outlook

We have a strong, diversified business and see significant growth opportunities in sectors in which we operate. We believe our customer focus positions us well to capitalise on these opportunities and increase our return on equity.

As highlighted, there remains significant legal and regulatory uncertainty across the motor finance sector and the wider macroeconomic environment. Supporting the management team to address the potential implications of the Supreme Court's decision is a priority for the Board.

Throughout this, we will continue to focus on building momentum across our business units, the effective deployment of our capital and increasing our return on equity.

I would like to sincerely thank our customers for their continued trust and our colleagues for their hard work throughout the year; they have demonstrated their resilience and have remained dedicated to delivering for our customers, shareholders and other stakeholders.

1. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million). Details can be found in Note 8 to the Financial Statements.

Chief Executive's statement

There were a number of challenges that presented themselves during the year, and so, I was pleased that while navigating those, we were also able to deliver improvements, particularly in the second half of the year across lending growth, net interest margin and adjusted[1] cost income ratio. This has been achieved with a Common Equity Tier 1 ('CET 1') ratio of 12.3%. Full-year adjusted[1] profit before tax pre impairments increased by 18.0% to £100.9 million (2023: £85.5 million). Statutory profit before tax was £29.2 million (2023: £36.1 million).

Progress against our medium-term targets has been encouraging. We achieved an 8.8% growth in net lending (2024: £3.6

billion; 2023: £3.3 billion), moving us closer to our £4.0 billion target and stabilised our net interest margin at 5.4% (2023: 5.4%), just below our target of greater than 5.5%, despite incurring higher funding costs. Project Fusion, our cost optimisation programme, prudent cost management and continued income growth contributed to an improvement in our adjusted[1] cost income ratio to 50.9% (2023: 54.0%), a reduction of 310 basis points. Statutory cost income ratio was 55.8% (2023: 57.5%). This is excellent progress towards our target of 44% to 46%. Continued growth in net lending and net interest margin and effective cost management will drive us towards delivering our target return on average equity ('ROAE') of 14% to 16%.

Although the year saw a reduction in the Bank of England Base Rate, we have operated in a highly competitive interest rate environment for Savings accounts. We continue to offer competitive rates to depositors, attracting significant levels of new funding (£1.6 billion), as well as retaining matured funds (£0.9 billion). Our deposits are entirely from retail customers and more than 95% of deposits are fully covered by the FSCS. We have achieved this, despite the challenges we have faced in 2024, with a high interest rate environment and uncertainty around timing of interest rate cuts, slowing economic growth and political changes. This has impacted demand for credit, particularly in Business Finance. We continued to manage credit exposures in a disciplined way and remained agile in managing our balance sheet.

Cost of risk increased from 1.4% to 1.8% and was impacted by the secondary impact of the pause in our collection processes in Vehicle Finance during the second half of 2023, which resulted in an elevated stock of defaulted loans (see section on Regulatory and legal interventions), which increased impairment charges for the year. As a consequence, the cost of risk for Vehicle Finance increased from 3.4% in 2023 to 7.7%. Unfortunately, the initiatives we hoped would restore performance of the Vehicle Finance portfolio towards a normal level for year-end, were not possible to fully execute due to the market environment. We continue to pursue strategic options to manage down the stock of historic defaulted balances. Retail Finance cost of risk improved to 1.0% (2023: 1.4%) reflecting the quality of business written and IFRS 9 model enhancements, which resulted in some one-off provision releases.

As a result, we delivered an adjusted[1] profit before tax of £39.1 million (2023: £42.6 million) in the year, which impacted our adjusted[1] ROAE of 8.0% (2023: 9.6%). Total ROAE was 5.5% (2023: 7.3%). Three of our specialist businesses grew profitability year-on-year. The higher cost of risk in Vehicle Finance impacted our overall results. Further insight is shared in our segmental reporting which can be found in Note 3 to the Financial Statements.

With our four specialist lending segments all offering compelling propositions in large addressable markets, we have solid foundations in place to make further market share gains. This is demonstrated by our strong track record in recent years. We saw gains in Retail Finance's market share of new business, which grew to 15.3%[2]; this continues to grow year-on-year (2023: 13.5%). Vehicle Finance's market share of new business was 1.4%[3] increasing its position from 2023 (1.2%). As a result, this contributed to net lending growth in the Consumer Finance businesses of 13.4% (£225.7 million) since 2023. Business Finance increased by £67.5 million, despite a subdued trading environment.

During the year, we took the opportunity to showcase our Real Estate Finance and Commercial Finance businesses at Capital Markets events held in July and November. Further details can be found on our website www.securetrustbank.com/presentations

1. Adjusted metrics exclude exceptional items of £9.9 million (2023: £6.5 million). Details can be found in Note 8 to the Financial Statements.

2. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2024 15.3% (2023: 13.5%): FLA total and Retail Finance new business of £8,427million (2023: £8,810 million) and £1,289.7 million (2023: £1,185.4 million) respectively. As published at 31 December 2024.

3. Source: FLA. Cars bought on finance by consumers through the point of sale: New business values: 2024 1.4% (2023: 1.2%): Used cars: 2024, FLA total and Vehicle Finance total of £21,281 million (2023: £22,082 million) and £294.4 million (2023: £260.0 million) respectively. As published at 31 December 2024.

Key performance indicators

The following key performance indicators are the primary measures used by management to assess the performance of the Group.

Financial

Loans and advances to customers (bn)

2020	2021	2022	2023	**2024**
2.2	2.5	2.9	3.3	**3.6**

Why we measure this

Shows the growth in the Group's lending balances, which generate income

Net interest margin (%)

2020	2021	2022	2023	**2024**
6.1	6.1	5.7	5.4	**5.4**

Why we measure this

Shows the interest margin earned on the Group's lending balances, net of funding costs

Total return on average equity (%)

2020	2021	2022	2023	**2024**

5.9	15.9	10.8	7.3	**5.5**

Why we measure this

Measures the Group's ability to generate profit from the equity available to it

Common Equity Tier 1 ('CET 1') ratio (%)

2020	2021	2022	2023	**2024**
14.0	14.5	14.0	12.7	**12.3**

Why we measure this

The CET 1 ratio demonstrates the Group's capital strength

Cost to income ratio (%)

	2020	2021	2022	2023	**2024**
Statutory	56.6	60.0	55.0	57.5	**55.8**
Adjusted[1]	56.6	60.0	55.0	54.0	**50.9**

Why we measure this

Measures how efficiently the Group uses its cost base to produce income

1. Adjusted cost to income ratio excludes exceptional items.

Cost of risk (%)

2020	2021	2022	2023	**2024**
2.0	0.2	1.4	1.4	**1.8**

Why we measure this

Measures how effectively the Group manages the credit risk of its lending portfolios

Non-financial

Customer Feefo ratings (Stars)[2]

2020	2021	2022	2023	**2024**
4.7	4.6	4.6	4.6	**4.7**

Why we measure this

Indicator of customer satisfaction with the Group's products and services

2. Mark out of 5 based on star rating from 1,661 reviews (2023:1,989; 2022: 990; 2021: 937; 2020: 1,466).

Employee survey trust index score (%)

2020	2021	2022	2023	**2024**
82.0	80.0	85.0	83.0	**74.0**

Why we measure this

Indicator of employee engagement and satisfaction

Environmental intensity indicator[3]

2020	2021	2022	2023	**2024**
3.1	3.0	2.8	2.0	**1.5**

3. Total Scope 1, 2 and certain Scope 3 emissions per £million Group operating income.

Why we measure this

Indicator of the Group's impact on the environment

Certain key performance indicators represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS').

Definitions of the financial key performance indicators, their calculation and an explanation of the reasons for their use can be found in the Appendix to the 2024 Annual Report and Accounts.

All key performance indicators are presented on a continuing basis, unless otherwise stated.

Further information on discontinued operations are included in Note 10 to the Financial Statements.

Further explanation of the financial key performance indicators is discussed in the narrative of the Financial Review.

Further explanation of the non-financial key performance indicators is provided in the Managing our Business Responsibly and Climate-Related Financial Disclosures sections.

The Directors' Remuneration report in the 2024 Annual Report and Accounts, sets out how executive pay is linked to the assessment of key financial and non-financial performance indicators.

Strategic priorities

Our strategic priorities are simplifying the Group, enhancing customer experience and leveraging our networks, all enabled by technology. These are the right priorities to Optimise for Growth, and will enable us to progress towards delivering all of our medium-term targets.

Simplify

A key initiative of simplification has been Project Fusion, where we achieved the target of £5 million[1] in annualised savings at the end of 2024. This was achieved through a sustained focus on cost discipline and we contained our year-on-year cost growth at 4.1%. We continued with supplier reviews to crystallise cost savings, and implemented technology enhancements. This year, this included migrating the e-signing of lending agreements to use in-house developed technology for our Retail Finance business, eliminating the need to use a third party.

The update in our Project Fusion target, announced at the half year, to £8 million[1] in annualised savings reflected material cost savings from organisational redesign. In the first half of the year, we consolidated our IT and Operations teams under the Group's Chief Operating Officer, and in the second half of the year this was further refined where we amalgamated product-specific teams under a single management structure. In addition, there were changes within Finance and the Risk Function to ensure they are configured to support the business in the most effective way, this also led to the creation of several new roles. The organisational changes will drive a simpler and more cost-efficient structure, remove duplication and provide clearer career paths and development opportunities. The changes did result in a redundancy programme, which resulted in some colleagues leaving the organisation, at a cost of £1.5 million. I would like to thank all colleagues who have left the business for their hard work and dedication and wish them well for the future. Although not an easy decision to make, these changes position the Group for future success. The organisational changes work was completed in December 2024, and the £3 million cost savings will be fully realised in 2025.

Combined, these initiatives give us high confidence in driving our cost income ratio to our target of 44 to 46% as we achieve our ambition for net lending of £4 billion. With that in mind, we are currently undertaking a strategic review of our business activities and future opportunities to inform the Group's future ambition and objectives beyond 2025.

Enhance customer experience

We are pleased to see that our customers are taking advantage of our digital platforms. During the year, we invested in enhancing our savings application process by simplifying the customer journey on our website. This included making the process a lot more user friendly, and better supporting customers with accessibility needs.

Over 97.1% of our Savings customers are registered to use online banking (2023: 95.8%). Since the launch of our Savings app in 2023, we have seen further uptake of app registrations, which is now at 30.1% and saw over half of servicing transactions being submitted on the Savings app for Access and Notice accounts.

More customers than ever (87.4%) have registered with our Retail Finance online account management system (2023: 80.4%). We also re-launched our AppToPay app, which now offers a mobile-based service platform for all our Retail Finance products, allowing customers to self-serve and initiate payments (see below for further details).

We continue to focus on customer outcomes and improving customer satisfaction, and again we score highly with Feefo, achieving 4.7 (2023: 4.6) for our Consumer Finance businesses. In addition, our Retail Finance business was nominated for Best Consumer Credit Product at the Credit Awards.

Within Business Finance, our Commercial Finance business was recognised by TheBusinessDesk.com North West Rainmakers Award, and was nominated for the 'Asset- based Lending Team'. In September, the business surpassed this and won the ABL/Non-Bank Lender of the Year award at the Midlands Insider Deal Makers Awards, a great achievement. Internal customer satisfaction reviews showed a 97% satisfaction score, which is a testament to a business that is highly reliant on expertise and relationship management model. In Real Estate Finance, 100% of respondents rated the service they receive from the team as 'Excellent'.

Leverage networks

Our relationships with partners, retailers, car dealers, intermediaries, new business originators and advisers support our growth.

Our Retail Finance net lending balance of £1.4 billion (2023: £1.2 billion) was supported by nearly 1,100 retail partners. 2024 saw the business secure longer-term contracts with a large furniture retailer and a jewellery retailer, and gaining new retailers in the lifestyle sector. Vehicle Finance saw an increase of 19.5% in its net lending balance growing from £0.47 billion to £0.56 billion.

API integration is a key feature in our offering to our consumer distribution networks. This enables us to work seamlessly with our partners, creating efficient working practices across both partner organisations and internally. This has long been an advantage as part of our Retail Finance offering to retail partners, integrating at speed.

The power of our relationship model in Real Estate Finance has seen new lending to existing clients increase from 36% in 2021 to 67% in 2024, with reliance on new lending origination from brokers declining from 42% to 13% over the same period. This retention model has the benefit of reduced cost of customer acquisition and provides greater knowledge of customers' risk profiles.

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings (of

the £8.0 million) will be relative to annualised operating expenses for the six months ending 30 June 2024.

Enabled by technology

In October, we rolled-out the enhanced capability of our modern Vehicle Finance origination and loan management platform, which is now capable of hosting all new business across products and risk segments. Importantly, customer applications submitted by intermediaries will cascade through our credit tiers and be matched to the most appropriate product terms, which will enable us to offer loans to more customers. This represents a significant investment made over several years allowing us to move forward with technology designed for the market and allow us to migrate away from legacy high maintenance systems.

As noted, we re-launched our AppToPay proposition in December. Initial data shows customers taking advantage of making payments through open-banking, which is more convenient for the customer, and more cost-efficient for the Group. The app provides the initial foundations for providing customers and retailers opportunities to access our full Retail Finance product suite.

Regulatory and legal interventions

As highlighted at the end of 2023, we were working on improving our collections processes, procedures and policies following the FCA's review of Borrowers in Financial Difficulty ('BiFD') across the industry. Customers are now being offered a wider range of forbearance options to support them through financial difficulties. We have identified that it is appropriate to pay £2.2 million to customers (of which £2.0 million was recognised in 2023) where we could have supported them better due to their individual circumstances. A significant part of the customer communications have now been distributed, and we expect to complete activities by the middle of 2025. This was a delay on our initial timetable, as we took additional time to ensure the quality and clarity of our correspondence was appropriate for our customers. We incurred an additional £1.5 million of costs (treated as exceptional) during 2024, primarily in relation to managing the programme.

The BiFD review resulted in a larger stock of defaulted loans within our Vehicle Finance business and increased the associated loan impairment provision. The stock of defaulted Vehicle Finance loans has remained elevated throughout the year, and as noted above, market conditions were not conducive to deliver on our strategic plans to normalise the position by year-end. The impairment charges recognised on the defaulted stock is not a reflection of the underlying quality of the business being originated. Collections activities returned to normal as the year progressed and arrears levels have reduced over the year.

In light of legal and regulatory developments, including the FCA's ongoing review of historical discretionary commission arrangements ('DCA') in the motor finance market, and the Court of Appeal's judgment which is currently under appeal, we have recognised costs of £6.9 million (£5.2 million redress, £1.7 million costs) for both DCA and fixed commission structures. There are important factual differences between those cases and how we operated. Further information can be found in Note 29 to the Financial Statements.

Environmental, Social and Governance ('ESG')

We have made progress against all our ESG focus areas during the year and refreshed our strategy to ensure it is reflective of our ESG aspirations moving forwards.

We were again recognised by UK's Best Workplaces™ by Great Place to Work® for a number of accolades. This is supported by colleagues completing employee opinion surveys at the end of 2023. The Group undertook a survey towards the end of 2024 and achieved a trust index score of 74% (2023: 83%). We had anticipated this fall, with the survey being undertaken during the rollout of our organisational redesign programme, which led to a period of uncertainty for many colleagues and a number of roles ultimately being made redundant. However, the score remained high against similar size organisations, which is positive considering the wide impact of change. I appreciate this time has been very challenging for those impacted as well as those remaining within the organisation. I would like to extend my personal thanks to colleagues for their hard work and commitment while we worked through this period of change.

Our colleagues continued to work hard to donate their time and efforts to support and raise funds for charity across a number of events, which included a golf day and the Three Peaks Challenge, raising nearly £100,000 for great causes this year.

As part of our ongoing work on Climate Action, we have become members of the Partnership for Carbon Accounting Financials ('PCAF'). Our membership of PCAF underlines our ongoing commitment to monitor and manage our environmental impacts as part of our ESG strategy. We have enhanced our emission disclosures around Scope 3 (see Climate-related financial disclosures in the 2024 Annual Report and Accounts). We also surpassed our goal to reduce our Scope 1 and 2 emissions by 50% (from 2021) a year early. During 2024, initiatives such as reducing our office footprint have contributed towards this reduction. We continue to look at internal initiatives to also support the impact we have on the environment, having launched a new employee benefit, a green car scheme, that is enabling our colleagues to lease brand new electric or plug-in hybrid vehicles.

Changes in Executive Committee

During the year, we saw some changes to our Executive Committee. John Bevan who oversaw the Commercial Finance business retired at the end of the year. John was with the Group for over 10 years, establishing the Commercial Finance business in 2014 and growing it to be a significant player in the asset-based lending market. Geoff Ray, Managing Director of the Real Estate Finance business, will retire in April 2025. Geoff joined the business in its early days and has been an integral part of its leadership team. Both have played a key role in developing their teams and growing their franchises with huge passion for their respective sectors. I would like to thank them both for the valuable contribution and wish them well in their retirement.

I would like to welcome Luke Jooste, who joined us on 1 March 2025 from Momenta Finance where he was the Chief Executive Officer. Luke has been appointed as Managing Director, Business Finance and will provide a fresh perspective to both Commercial and Real Estate Finance, and be the Executive Committee lead in setting the future strategy for our proposition to business customers.

Outlook

On balance, 2024 ended with a more positive economic outlook than 2023 with issues such as COVID and the cost-of-living crisis seeming to be largely behind us. However, the expected stability and optimism for growth that was promised from a change in UK government has not yet materialised. Whilst interest rates have started to slowly come down following a period of stabilised inflation figures, concerns over growth in the UK economy and the perceived adverse impact of the new Chancellor's Budget on the market, businesses and consumer confidence. There has also been additional geopolitical uncertainty due to the change of legislature in the US.

2024 has been extremely challenging for specialist banks due to the legal and regulatory developments relating to motor finance commissions. We are hopeful that the industry will receive the clarity it needs in 2025, and that we can move forward with confidence and renewed focus on delivering against our strategic objectives.

Subject to no adverse changes in the economy and trading environment, we expect by the end of 2025 we will have clear line of sight to delivering against our medium-term targets. With that in mind, we are currently undertaking a Group-wide review of our business activities. We have made an initial decision to re-focus the Vehicle Finance business on higher returning segments. I intend to provide an update on the outcome of this work in our 2025 Interim Report.

Financial review

Income statement

	2024 £million	2023 £million	Movement %
Continuing operations			
Interest income and similar income	366.0	304.0	20.4
Interest expense and similar charges	(181.1)	(136.5)	32.7
Net interest income	**184.9**	**167.5**	**10.4**
Fee and commission income	19.2	17.3	11.0
Fee and commission expense	(0.2)	(0.1)	100.0
Net fee and commission income	**19.0**	**17.2**	**10.5**
Operating income	**203.9**	**184.7**	**10.4**
Net impairment charge on loans and advances to customers	(61.9)	(43.2)	43.3
Other (losses)/gains	(0.3)	0.3	(200.0)
Fair value and other gains on financial instruments	1.2	0.5	140.0
Operating expenses	(103.8)	(99.7)	4.1
Profit before income tax from continuing operations before exceptional items	**39.1**	**42.6**	(8.2)
Exceptional items	(9.9)	(6.5)	52.3
Profit before income tax from continuing operations	**29.2**	**36.1**	(19.1)
Income tax expense	(9.5)	(9.7)	(2.1)
Profit for the year from continuing operations	**19.7**	**26.4**	(25.4)
Discontinued operations			
Loss before income tax from discontinued operations	**-**	(2.7)	(100.0)
Income tax credit	-	0.6	(100.0)
Loss for the year from discontinued operations	**-**	(2.1)	(100.0)
Profit for the year	**19.7**	**24.3**	(18.9)
Basic earnings per share (pence) - Adjusted	150.1	172.3	(12.9)
Basic earnings per share (pence) - Continuing	103.4	140.8	(26.6)
Basic earnings per share (pence) - Total	103.4	129.6	(20.2)

Selected key performance indicators and performance metrics	2024 %	2023 %	Percentage point movement
Net interest margin	**5.4**	5.4	-
Net revenue margin	**6.0**	6.0	-
Adjusted cost to income ratio	**50.9**	54.0	(3.1)
Statutory cost to income ratio	**55.8**	57.5	(1.7)
Cost of risk	**1.8**	1.4	0.4
Adjusted return on average equity	**8.0**	9.6	(1.6)
Total return on average equity	**5.5**	7.3	(1.8)
Common Equity Tier 1 ratio	**12.3**	12.7	(0.4)
Total capital ratio	**14.6**	15.0	(0.4)

Certain key performance indicators and performance metrics represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS'). Definitions of these alternative performance measures, their calculation and an explanation of the reasons for their use can be found in the Appendix to the 2024 Annual Report and Accounts.

All key performance indicators are presented on a continuing basis, unless otherwise stated. Adjusted profit before tax refers to profit before income tax from continuing operations before exceptional items. Further information on exceptional items are included in Note 8 of the Financial Statements.

The Directors' Remuneration report in the 2024 Annual Report and Accounts, sets out how executive pay is linked to the assessment of key financial and non-financial performance metrics.

In 2024, we delivered strong lending growth, particularly within our Consumer Finance businesses, with net lending growth, of 8.8% driving income growth of 10.4% at a stable netinterest margin. Cost growth has been actively managed and contained at 4.1%, but we have incurred higher impairments within our Vehicle Finance business due to the operational impacts of the FCA's review of Borrowers in Financial Difficulty ('BiFD'). The Group achieved an adjusted profit before tax of £39.1 million (2023: £42.6 million), with the Common Equity Tier 1 ('CET 1') ratio of 12.3%.

Increased impairment charges have reduced profits, resulting in total Earnings Per Share ('EPS') decreasing from 129.6 pence per share (2023) to 103.4 pence per share. On an adjusted basis, EPS decreased to 150.1 pence per share (2023: 172.3 pence per share). Total return on average equity decreased from 7.3% (2023) to 5.5%. On an adjusted basis, return on average equity decreased to 8.0% (2023: 9.6%).

Detailed disclosures of EPS are shown in Note 11 to the Financial Statements. The components of the Group's profit are analysed in more detail in the following sections.

Operating income

The Group's operating income increased by 10.4% to £203.9 million (2023: £184.7 million). Net interest income on the Group's lending assets continues to be the largest component of operating income. This increased by 10.4% to £184.9 million (2023: £167.5 million), driven by growth in net lending assets, with average balances increasing by 10.1% to £3,413.9 million (2023: £3,099.4 million).

The Group's net interest margin was maintained at 5.4% (2023: 5.4%) by actively increasing gross yields to reflect the higher cost of funds.

The Group's other income, which relates to net fee and commission income, increased by 10.5% to £19.0 million (2023: £17.2 million).

Impairment charge

Impairment charges increased to £61.9 million (2023: £43.2 million) resulting in an increased Group cost of risk of 1.8% (2023: 1.4%).

Increased expected credit losses in the Vehicle Finance business have been the principal reason for the increased impairment charges. Vehicle Finance has experienced increased levels of customer defaults due to a pause in collections activities from second half of 2023 as the business addressed the specific feedback received following the FCA's review of BiFD. The credit quality of new lending in the Vehicle Finance business has improved over time and arrears levels have reduced over the year.

Impairment charges are lower year on year across all other lending businesses. Retail Finance has originated a greater mix of higher-quality loans and also updated to reflect an improved debt sale arrangement. Both Business Finance businesses have incurred charges on specific cases but, overall, the portfolios performed better than 2023.

Overall impairment provisions increased to £111.8 million (2023: £88.1 million) with a total coverage level of 3.0% (2023: 2.6%).

During the financial year, the Group refreshed macroeconomic inputs to its IFRS 9 Expected Credit Loss ('ECL') models, incorporating its external economic adviser's latest UK economic outlook. The forecast economic assumptions within each

IFRS 9 scenario, and the weighting applied, are set out in more detail in Note 16 to the Financial Statements.

The Group has applied Expert Credit Judgements ('ECJ's') underlays totalling £5.7 million (2023: £1.2 million underlay), where management believes the IFRS 9 modelled output is not accurately reflecting current risks in the loan portfolios. The majority of the ECJ underlays of £4.5 million (2023: £2.1 million) relate to the Vehicle Finance lending portfolios LGD stage 1 and 2 recovery assumptions being understated in the model; which will be updated in 2025. Further details of these ECJs are included in Note 16 to the Financial Statements. During the year, the Group implemented a new IFRS 9 model for Vehicle Finance prime lending and an enhanced Probability of Default model for Retail Finance. These better reflect the underlying credit quality of business written and has reduced the need for ECJ's. We have also updated IFRS 9 Significant Increase in Credit Risk ('SICR') criteria, and implemented a new curing policy for Consumer Finance, further information can be found in Note 16 to the Financial Statements.

Fair value and other gains on financial instruments

The Group has highly effective hedge accounting relationships, and, as a result, recognised a small hedging ineffectiveness gain of £0.1 million (2023: £0.1 million gain) and £0.6 million gain (2023: £nil) relating to hedge accounting inception and amortisation adjustments (See Note 5 to the Financial Statements). The Group also recognised a gain of £0.5 million (2023: £0.8 million loss) relating to interest rate swaps being entered into ahead of hedge accounting becoming available, which will reverse to the income statement over the remaining life of the swaps.

During 2023, the Group realised a gain of £1.2 million on the buy-back of the 2018 Tier 2 debt.

Operating expenses

The Group's adjusted cost income ratio improved to 50.9% (2023: 54.0%) with the cost base increasing by 4.1% to £103.8 million (2023: £99.7 million). The improved ratio reflects both the increase in operating income and the ongoing programme of initiatives that are driving more efficient and effective operational processes, including digitalisation of processes, supplier and procurement reviews, organisational design and property management. As at the end of 2024, Project Fusion has delivered £5 million of annualised cost savings[1], and will deliver another £3 million of additional annualised savings[1] in 2025. Statutory cost income ratio inclusive of exceptional items was 55.8% (2023: 57.5%).

Taxation

The effective tax rate on continuing activities of 32.5%, increased compared with 2023 (26.9%) primarily as a result of non-deductible expenses in exceptional items.

Exceptional items

The Group recognised charges for exceptional items of £9.9 million during the year (2023: £6.5 million).

Further costs have been recognised in 2024 following the FCA's review of BiFD across the industry of £1.5 million (£1.3 million costs and £0.2 million potential redress/goodwill). £4.7 million was recognised in 2023 (£2.7 million costs and £2.0 million potential redress/goodwill).

In light of the FCA's ongoing review of historical discretionary commission arrangements ('DCA') in the motor finance market, and the Court of Appeal's judgment which is currently under appeal, we have recognised costs of £6.9 million (£5.2 million redress, £1.7 million costs) for both DCA and fixed commission structures. Further information can be found in Note 29 to the Financial Statements.

Following an organisational redesign in 2024, £1.5 million was incurred for restructuring costs. In 2023, the Group recognised charges in relation to non-recurring corporate activity of £1.8 million.

Further details on all Exceptional items are included in Note 8 to the Financial Statements.

Distributions to shareholders

The Board recommended the payment of a final dividend for 2024 of 22.5 pence per share, which together with the interim dividend of 11.3 pence per share, represents a total dividend for the year of 33.8 pence per share (2023: 32.2 pence per share). This is in line with the Group's progressive dividend policy.

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings will be relative to annualised operating expenses for the six months ending 30 June 2024.

Summarised balance sheet

	2024	2023
Assets	**£million**	£million
Cash and Bank of England reserve account	445.0	351.6
Loans and advances to banks	24.0	53.7
Loans and advances to customers	3,608.5	3,315.3
Fair value adjustment for portfolio hedged risk	(6.8)	(3.9)
Derivative financial instruments	14.3	25.5
Other assets	31.7	35.8
	4,116.7	**3,778.0**
Liabilities		
[illegible]	[illegible]	[illegible]

Due to banks	365.8	402.0
Deposits from customers	3,244.9	2,871.8
Fair value adjustment for portfolio hedged risk	(3.4)	(1.4)
Derivative financial instruments	10.0	22.0
Tier 2 subordinated liabilities	93.3	93.1
Other liabilities	45.6	46.0
	3,756.2	**3,433.5**

New business

2024 was another positive year for new business with new lending of £2,331.9 million, up 1.1% year on year (2023: £2,305.4 million). Consumer Finance, which grew by 11.2% over 2023, offset by lower Business Finance, 24.6% lower than in 2023 due to more challenging market conditions. Further details on the divisional split of this new business can be found in the Business Review.

New business volumes

2024: £2,331.9m (2023: £2,305.4m)

Retail Finance	Vehicle Finance	Real Estate Finance	Commercial Finance
£1,289.7m	£552.9m	£383.5m	£105.8m

Customer lending and deposits

Group lending assets increased by £293.2 million (8.8%) to £3,608.5 million (2023: £3,315.3 million), continuing our growth towards our net lending ambition of £4.0 billion.

Consumer Finance balances grew by £225.7 million or 13.4% driven by strong demand from strategic partner retailers, supported by Business Finance balances growth of £67.5 million (4.2%).

Loans and advances to customers

2024: £3,608.5m (2023: £3,315.3m)

Retail Finance	Vehicle Finance	Real Estate Finance	Commercial Finance
£1,357.8m	£558.3m	£1,341.4m	£351.0m

Further analysis of loans and advances to customers, including a breakdown of the arrears profile of the Group's loan books, is provided in Note 16 to the Financial Statements.

Customer deposits include Fixed term bonds, ISAs, Notice and Access accounts. Customer deposits increased by 13.0% to £3,244.9 million (2023: £2,871.8 million) driven by lending book growth and as part of the strategy to replace drawings from the Bank of England Term Funding Scheme with additional incentives for SMEs ('TFSME') funding. Total funding ratio of 112.4% increased slightly from 31 December 2023 (111.7%). The mix of the deposit book has continued to change as the Group has adapted to the interest rate environment, with a focus on meeting customer demand for Access products, and retaining stable funds, which is reflected in the proportion of Fixed term bonds and ISAs.

Investments and wholesale funding

Amounts due to banks include drawings from the TFSME facility of £230.0 million, reducing from 2023 (£390.0 million) as the Group actively prepays this funding. In addition, it includes £125.0 million drawn from the Indexed Long-Term Repo ('ILTR') facility as at the end of 2024 (2023: £nil), a routine sterling liquidity management facility provided by the Bank of England.

Tier 2 subordinated liabilities

Tier 2 subordinated liabilities represent £90.0 million of 10.5-year 13.0% Fixed Rate Callable Subordinated Notes, which qualify as Tier 2 capital.

Capital

Management of capital

Our capital management policy is focused on optimising shareholder value over the long term. Capital is allocated to achieve targeted risk adjusted returns, while ensuring appropriate surpluses are held above the minimum regulatory requirements.

Key factors influencing the management of capital include:

- The level of buffers and the capital requirement set by the Prudential Regulation Authority ('PRA');
- Estimated credit losses calculated using IFRS 9 methodology, and the applicable transitional rules;
- New business volumes; and
- The product mix of new business.

Capital resources

Capital resources increased over the year from £397.6 million to £415.7 million. This includes the proposed 2024 final dividend of £4.2 million. The increase was primarily in CET 1 capital and was driven by total profit for the year of £19.7 million, offset by the final 2024 dividend of £4.2 million, and the expected reduction in the IFRS 9 transitional adjustment of £2.0 million. The remainder of the increase was from Tier 2 (£4.6 million) as capital eligibility increased through asset growth.

The resultant CET 1 and Total capital ratios are 12.3% (2023: 12.7%) and 14.6% (2023: 15.0%) respectively.

Capital	**2024 £million**	2023 £million
CET 1 capital, excluding IFRS 9 transitional adjustment	351.3	335.8
IFRS 9 transitional adjustment	0.1	2.1
CET 1 capital	**351.4**	**337.9**
Tier 2 capital[1]	64.3	59.7
Total capital	**415.7**	**397.6**
Total risk exposure	**2,855.7**	**2,653.4**

Capital ratios	**2024 %**	2023 %
CET 1 capital ratio	**12.3**	12.7
Total capital ratio	**14.6**	15.0
CET 1 capital ratio (excluding IFRS 9 transitional adjustment)	**12.3**	12.7
Total capital ratio (excluding IFRS 9 transitional adjustment)	**14.5**	14.9
Leverage ratio	**9.5**	9.7

1. Tier 2 capital, which is solely subordinated debt net of unamortised issue costs, capped at 25% of total Pillar 1 and Pillar 2A requirements.

Capital requirements

The Total Capital Requirement, set by the PRA, includes both the calculated requirement derived using the standardised approach and the additional capital required, derived from the Internal Capital Adequacy Assessment Process ('ICAAP'). In addition, capital is held to cover generic buffers set at a macroeconomic level by the PRA.

	2024 £million	2023 £million
Total Capital Requirement	257.0	238.8
Capital conservation buffer	71.4	66.3
Countercyclical buffer	57.1	53.1
Total	**385.5**	**358.2**

The increase in lending balances through the year resulted in an increase in risk weighted assets over the period, bringing the total risk exposure up from £2,653.4 million to £2,855.7 million.

Liquidity

Management of liquidity

The Group uses a number of measures to manage liquidity risk. These include:

- The Overall Liquidity Adequacy Requirement ('OLAR'), which is the Board's view of the Group's liquidity needs, as set out in the Board-approved Internal Liquidity Adequacy Assessment Process ('ILAAP').
- The Liquidity Coverage Ratio ('LCR'), which is a regulatory measure that assesses net 30-day cash outflows as a proportion of High Quality Liquid Assets ('HQLA').
- Total funding ratio, as defined in the Appendix to the Annual Report.
- 'HQLA' are held in the Bank of England Reserve Account and UK Treasury Bills. For LCR purposes, the HQLA excludes UK Treasury Bills that are pledged as collateral against the Group's TFSME drawings with the Bank of England.

The Group was above the LCR minimum threshold (100%) throughout the year, with the Group's average LCR being 219.6% (2023: 208.0%) based on a rolling 12 month-end average.

Liquid assets

We continued to hold significant surplus liquidity over the minimum requirements throughout 2024, managing liquidity by holding HQLA and utilising funding (predominantly from retail funding) to support lending. Total liquid assets increased to £469.0 million (2023: £400.3 million) which, amongst other things, reflects the levels of liquidity at the end of 2024 to support funding required to fund the pipeline and fixed term bond maturities.

The Group is a participant in the Bank of England's Sterling Money Market Operations under the Sterling Monetary Framework and has drawn £230.0 million under the TFSME (2023: £390.0 million) and £125.0 million under the ILTR scheme (2023: £nil). The ILTR scheme has used collateral already prepositioned with the Bank of England and was initiated during the year as part of the strategy to repay TFSME before the end of its contractual term. Further drawings of ILTR are planned in 2025 as the remaining balance of TFSME is repaid. The Group has no liquid asset exposures outside the United Kingdom and no amounts that are either past due or impaired.

Liquid assets	**2024** **£million**	2023 £million
Aaa-Aa3	445.0	356.4
A1-A2	24.0	43.9
Total	**469.0**	400.3

We continue to attract customer deposits to support balance sheet growth. The composition of customer deposits is shown in the table below:

Customer deposits	**2024** **%**	2023 %
Fixed term bonds	47	54
Notice accounts	2	6
ISAs	26	22
Access accounts	25	18
Total	**100**	100

Business review

Consumer Finance

Retail Finance

We provide quick and easy finance options at the point of purchase.

What we do

- We provide a market-leading online e-commerce service to retailers, providing unsecured, interest-free and interest-bearing prime lending products to UK customers to facilitate the purchase of a wide range of consumer products, including furniture, jewellery, dental, leisure items and football season tickets. These retailers include a large number of household names.
- Products are available to purchase in store or online, using our market-leading origination platform, which provides fast decision making, with 90% of applications agreed in an average of six seconds.
- The customer proposition and the integrated platform support the growth of UK retailers and the real economy.

2024 performance

- Another record year for new lending led to lending balances increasing by 11.0% with an increase in Retail Finance's market share of new business, which grew to 15.3%[1] (2023: 13.5%).
- In the year, the lag effect of the steep increases in Base Rate began to reverse, with a stable and now declining Base Rate, such that margins expanded, resulting in net interest margin increasing to 6.8% (2023: 6.4%).
- At the end of the year, 86.7% (2023: 86.3%) of the lending book related to interest-free lending, and 87.4% (2023: 80.4%) of customers have signed up to online account management allowing self-service of their account.

Outlook

- Despite a challenging environment for both retailers and consumers, we still anticipate further lending growth from both new and existing retail partners, with potential improvement in net interest margin. Cost of risk will normalise to 2023 levels.
- Our operational plans now include our recently launched AppToPay service, which will continue to digitalise our processes to improve our customer and retail partners' experience through app-based technology.

1. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2024 15.3% (2023: 13.5%): FLA total and Retail Finance new business of £8,427 million (2023: £8,810 million) and £1,289.7 million (2023: £1,185.4 million) respectively. As published at 31 December 2024.

Performance history

New business (£m)

2020	2021	2022	2023	**2024**
614.5	771.5	1,124.3	1,185.4	**1,289.7**

Loans and advances to customers (£m)

2020	2021	2022	2023	**2024**
658.4	764.8	1,054.5	1,223.2	**1,357.8**

Net interest margin (%)

2020	2021	2022	2023	**2024**
8.7	8.1	6.8	6.4	**6.8**

Risk adjusted margin (%)

2020	2021	2022	2023	**2024**
6.7	7.8	5.6	5.3	**6.0**

Consumer Finance

Vehicle Finance

We provide quick and easy used car finance options at the point of purchase.

What we do

- We provide consumer lending products that are secured against the second hand vehicle being financed.
- We also provide a vehicle stock funding product, which is secured against dealer forecourt used car stock; sourced from auctions, part exchanges or trade sources.
- Finance is provided via technology platforms, allowing us to receive applications online from introducers; provide an automated decision; facilitate document production through to pay-out to dealer; and manage in-life loan accounts.

2024 performance

- Record new business of £552.9 million, resulted in lending balances increasing by 19.5%. Our market share of new business increased to 1.4%[1] (2023: 1.2%).
- Growth has come from higher-quality, lower-margin consumer products and Stock Funding. Combined this has reduced net interest margin to 9.4% (2023: 10.3%).
- Stock funding continued to grow despite the contraction of the overall market with some competitors choosing to exit. We now have 427 active dealers (2023: 297) with credit lines of £70.8 million (2023: £51.5 million).
- Cost of risk increased to 7.6% (2023: 3.4%) largely driven by the pause in consumer collections in the second half of 2023 in relation to the FCA's review of Borrowers in Financial Difficulty.
- We have now completed the final phase of our Motor Transformation Programme, including the rate for risk module, and undertaken a pilot with a select number of introducers. This allows us to price customer lending based on the risk profile of the borrower.

Outlook

- We have already taken steps in 2025 to refine our strategy in Vehicle Finance to focus on higher returning segments.
- We plan to complete the transfer of all future consumer vehicle finance originations onto the new rate for risk platform by the end of 2025.

1. Source: FLA. Cars bought on finance by consumers through the point of sale: New business values: 2024 1.4% (2023: 1.2%): Used cars: 2024, FLA total and Vehicle Finance total of £21,281 million (2023: £22,082 million) and £294.4 million (2023: £260.0 million) respectively. As published at 31 December 2024.

Performance history

New business (£m)

2020	2021	2022	2023	**2024**
78.6	199.8	401.7	471.2	**552.9**

Loans and advances to customers (£m)

2020	2021	2022	2023	**2024**
243.9	263.3	373.1	467.2	**558.3**

Net interest margin (%)

2020	2021	2022	2023	**2024**
12.8	13.1	12.0	10.3	**9.4**

Risk adjusted margin (%)

2020	2021	2022	2023	**2024**

2020	2021	2022	2023	**2024**
5.1	14.0	6.1	7.3	**1.9**

Business Finance
Real Estate Finance

We lend money against residential properties to professional landlords and property developers.

What we do

- We provide non-regulated first charge secured lending to specialist real estate markets, lending to professional landlords to enable them to improve and grow their portfolio and provide development facilities to property developers and SME housebuilders to help build new homes for sale or letting.
- Due to our specialist relationship-led business model, we offer through the cycle tailored underwriting and cash flow led debt structuring.
- Finance opportunities are sourced and supported on a relationship basis directly and via introducers and brokers.

2024 performance

- Strong levels of new business, particularly in the Residential Investment sector, built on a strong origination team and the refinancing of existing loans through strong customer relationships.
- Lending balances grew by 7.8% to a record high of £1,341.4 million despite weak economic growth and a challenging economy for investors and developers.
- The portfolio principally comprises lower risk residential investment lending, 88.1% (2023: 83.8%). The remainder of the book relates to development and commercial investment lending.
- Our market remains competitive, however, net revenue margin was maintained at 2.6% (2023: 2.6%).
- Impairment charges of £4.0 million (2023: £4.5 million) remain higher than the historical average, primarily due to one legacy development case, which is being actively managed to achieve a timely exit. Despite this, we have seen a 0.1% improvement in the risk adjusted margin.
- As at year-end, the loan book has an average loan-to-value of 56.0% (2023: 57.2%).

Outlook

- With the economic outlook for house prices more stable than in recent years, we see real growth opportunities in our focused real estate segments supported by the new UK government's desire to build more homes.

Performance history

New business (£m)

2020	2021	2022	2023	**2024**
189.5	376.1	384.5	434.0	**383.5**

Loans and advances to customers (£m)

2020	2021	2022	2023	**2024**
1,051.9	1,109.6	1,115.5	1,243.8	**1,341.4**

Net revenue margin (%)

2020	2021	2022	2023	**2024**
3.0	3.0	2.7	2.6	**2.6**

Risk adjusted margin (%)

2020	2021	2022	2023	**2024**
2.5	3.0	2.6	2.2	**2.3**

Business Finance
Commercial Finance

We support the growth of UK businesses by enabling effective cash flow.

What we do

- We offer a full suite of asset-based lending solutions to SMEs and some larger corporates who need bespoke working capital solutions for their business.
- We operate a high-touch relationship-led model throughout the life of a facility, where partners and clients have direct access to decision-makers.
- Our lending remains predominantly against receivables, releasing funds of up to 90% of qualifying invoices under invoice discounting facilities.
- Business is sourced and supported directly from clients via private equity houses and professional introducers, but is not reliant on the broker market.

2024 performance

- New business lending has been lower in 2024 due to limited M&A activity in our target markets, and our unwillingness to transact on riskier deal structures at low margins.
- Whilst year-end balances were 7.9% lower in 2024, average lending balances were 1.2% higher year-on-year.
- The increase in net revenue margin was driven by fees charged for new facilities, extensions and early terminations.
- The risk adjusted margin has increased to 5.9%, reflecting the higher fees, but it included a higher cost of risk at 1.7% (2023: 2.3%) after a £5.6 million charge relating to a specific client.

Outlook

- Economic and market conditions still remain challenging for our clients, but we remain committed to supporting their growth and success, and we look forward to partnering with new businesses in 2025 as market conditions improve.

Performance history

New business (£m)

2020	2021	2022	2023	**2024**
126.1	93.7	157.3	214.8	**105.8**

Loans and advances to customers (£m)

2020	2021	2022	2023	**2024**
230.7	313.3	376.4	381.1	**351.0**

Net revenue margin (%)

2020	2021	2022	2023	**2024**
5.5	5.7	6.4	7.0	**7.6**

Risk adjusted margin (%)

2020	2021	2022	2023	**2024**
5.0	5.8	6.2	4.7	**5.9**

Savings

We look after our customers' savings and provide a competitive return.

What we do

- We offer a range of savings accounts that are purposely simple in design, with a choice of products from Access to 180-day notice, and six month to seven-year fixed terms across both Bonds and ISAs.
- Our range of savings products enables us to access the majority of the UK personal savings markets and compete for significant liquidity pools, achieving a lower marginal cost with the volume, mix and the competitive rates offered; optimised to the demand of our funding needs.

2024 performance

- In 2024, we successfully funded the growth in the lending businesses, and are now managing deposits of £3.2 billion, a 13.0% increase on year-end 2023 (£2.9 billion). We have raised over £1.6 billion of new deposits and retained £0.9 billion at maturity.
- The Bank of England Base Rate remained at 5.25% for the first half of 2024, with two 0.25% reductions in the second half in line with market forecasts. Further rate reductions are expected in 2025, these are priced into market rates for savings.
- We have seen significant growth in both Access and ISAs, both proving a popular customer choice. Notice products have continued to be a less popular choice in a high interest environment.

- Savings balances are made up of retail customers. 95.1% of total deposits are fully covered by Financial Services Compensation Scheme ('FSCS') providing our customers with additional confidence about the security of their savings.

Outlook

- The savings market has started to see product pricing adjustments in anticipation of a falling interest rate environment. Customers will seek to optimise returns, and we have a product set designed to meet these needs.

Performance history

Total deposits (£m)

2020	2021	2022	2023	**2024**
1,992.5	2,103.2	2,514.6	2871.8	**3,244.9**

Total funds raised (£m)

2020	2021	2022	2023	**2024**
535.9	661.3	1,210.1	1,719.1	**1,604.2**

2024: £3,244.9m

ISA	Notice	Access	Term
£857.3m	£72.4m	£805.2m	£1,510.0m

2023: £2,871.8m

ISA	Notice	Access	Term
£629.6m	£174.3m	£521.3m	£1,546.6m

Market review

The Group operates exclusively within the UK and its revenue is derived almost entirely from customers operating in the UK. The Group is therefore particularly exposed to the condition of the UK economy. Customers' borrowing demands are variously influenced by, among other things, UK property markets, employment levels, inflation, interest rates and customer confidence. The economic environment and outlook affect demand for the Group's products, margins that can be earned on lending assets and the levels of loan impairment provisions.

As a financial services firm, the Group is subject to extensive and comprehensive regulation by governmental and regulatory bodies in the UK. The Group conducts its business subject to ongoing regulation by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'). The Group must comply with the regulatory regime across many aspects of its activities, including: the training, authorisation and supervision of personnel; systems; processes; product design; customer journey; and documentation.

Economic review

Economic growth, measured in real annual UK Gross Domestic Product ('GDP'), was estimated to be 0.9% in 2024 (2023: 0.4%). Economists' base case forecasts indicate GDP growth will increase in 2025, with full-year growth in GDP expected to be 1.4%. However, there is some scepticism that the new UK government's first Budget will have the desired effects of boosting growth, and that household savings are less available to be deployed to boost consumer spending. This has led to downward revisions in more recent UK GDP forecasts, in contrast to global growth forecasts, which have improved partly due to the expected loosening of US fiscal policy under President Trump.

The rate of inflation fell sharply in 2024 and was largely back to the Bank of England target of 2% by June 2024, but there was a small increase to 2.5% by the end of the year and a further increase to 3.0% in January 2025. Reflecting the 2024 fall in inflation, the Bank of England reduced the Base Rate from 5.25% to 5.00% in August 2024 and from 5.00% to 4.75% in November 2024. A further decrease to 4.50% was announced in February 2025. Financial markets have responded to the Bank of England reducing rates and the expectation that inflation has largely stabilised by pricing in further Base Rate reductions through 2025, albeit at a relatively cautious level.

Employment levels in December 2024 were 74.9%[1] which represents a small decrease during the period from 75.0%[1] in December 2023. In line with this fall, unemployment has risen from 3.9%[1] in December 2023 to 4.4%[1] at December 2024. Vacancies in the labour market were circa 0.8 million and have been decreasing for two and a half years. Although unemployment levels have risen during the period, wage growth remained strong, at 5.9%[1] and remains ahead of inflation. The latest forecasts suggest that unemployment has peaked, and will remain near its current level throughout 2025.

UK house prices grew by 4.6%[2] in 2024 and the risk of a large correction in prices has reduced. The uncertainty over the timing and quantum of Base Rate cuts has given rise to some mortgage rate volatility in the year, albeit the overall position is one of lower rates being available than in recent years. Net mortgage borrowing showed 1.5%[3] annual growth in December

2024, with mortgage approvals up significantly year on year.

Outlook

Interest rates are expected to fall further in 2025 with the market expecting Base Rate to end the year below 4.00%. The UK economy is expected to grow in 2025 by less than 1%[3] per the Bank of England's latest forecast down from its previous forecast of 1.5%. House prices are expected to continue to grow as mortgage rates soften and borrower affordability improves. Unemployment is expected to remain near its current level of 4.4%[1] for 2025. The longer-term expectation is that unemployment will recover towards a long run level of 4.0% by 2028.

1. Source: Office for National Statistics, data as at 31 December 2024, unless otherwise stated.

2. Source: HM Land Registry

3. Bank of England

Government and regulatory

This has been another eventful year for government and regulatory announcements that impact the Group and/or the markets in which it operates. The key announcements in 2024 are set out below.

Prudential regulation

During March 2024, the PRA issued PS5/24 'Solvent exit planning for non-systemic banks and building societies'. This is intended to provide an alternative to resolution and creates a new requirement for non-systemic banks to perform a Solvent Exit Analysis to develop an understanding of how firms would exit from PRA-regulated activities, while remaining solvent, the main barriers and risks faced in doing so, and how they would make timely and effective decisions during the process. The Group has commenced work on the Solvent Exit Analysis ahead of the implementation date of 1 October 2025.

Basel 3.1 changes remain the core focus of regulatory change for the Group alongside the Small Domestic Deposit Takers ('SDDT') regime. Slightly later than anticipated due to the general election, in September 2024, the PRA issued PS9/24 'Implementation of the Basel 3.1 Standards near-final part 2' and four consultation papers relevant to the topic. The policy statement set out the awaited changes to Credit Risk, Pillar 3 disclosures and consequential reporting changes, which completed the framework when considering PS17/23, issued in December 2023.

The simplified capital regime proposal for SDDT firms was set out in CP7/24. The highlights from these proposals included the removal of Pillar 1 requirements for counterparty credit risk and credit valuation adjustment risk, simplified Pillar 2A approaches to credit risk, credit concentration risk, operational risk, the removal of some methodologies and proposed replacement of Pillar 2B capital buffers with a new non-cyclical Single Capital Buffer ('SCB'). In addition, it also proposed reduced reporting, including changes to the Internal Capital Adequacy Assessment Process ('ICAAP').

The Group undertook an initial impact analysis of the combined PS9/24 and PS17/23 amendments, also considering the proposals set out in CP7/24 to understand the impact under SDDT. The Group expects the impact to be broadly neutral overall.

In the second half of 2024, the Group received confirmation of its successful application to join the SDDT regime. PS17/23 confirmed that firms, that are part of the SDDT regime, do not need to adopt full Basel 3.1 rules and can remain on the interim rules equivalent to the current UK Capital Requirements Regulation regime until the capital rules applicable to the SDDT regime are applicable.

In November 2024, the PRA issued PS19/24 'Strong and simple framework: The definition of an Interim Capital Regime', which set out the process firms should follow to apply to adopt the Interim Capital Regime ('ICR'). The ICR was expected to apply from 1 January 2026 with the expected SDDT implementation date being 1 January 2027. However, on 18 February 2025, the PRA announced a delay to Basel 3.1 implementation by one year to 1 January 2027. As a consequence we expect a delay in the implementation date for SDDT. The Group has applied for a Modification by Consent waiver to apply the ICR.

Conduct regulation

Throughout 2024, FCA publications focused on Consumer Duty, including the findings from their review of implementation, which highlighted good practice and areas of improvement. Dear CEO letters and speeches have reiterated the focus on ensuring firms prioritise areas where there is the greatest risk of consumer harm, setting and testing higher standards, and promoting competition and positive change. The application of the Duty to closed products came into force on 31 July 2024 with limited impact to the Group.

In January 2024, the FCA introduced temporary changes to the rules for handling motor finance complaints. This was to allow time for its review of historical discretionary commission arrangements ('DCAs'), information requests for which were sent to motor finance firms in the period. On 25 October 2024, the Court of Appeal issued its decision on three motor finance commission cases.

The lenders involved have been granted permission to appeal the judgment to the Supreme Court, the hearing for which will take place in April 2025. The FCA will update firms on its next steps after the Supreme Court decision. The pause in complaints responses was extended to 4 December 2025 for all motor finance commission complaints. The FCA also issued a Dear CEO letter directing firms to maintain adequate financial resources, with a view to the implications for firms of any potential remedial activities arising from DCAs. Further details on the impact of these developments can be found in Note 29 to the Financial Statements.

In April 2024, the FCA published two policy statements. One on protections for Borrowers in Financial Difficulty, incorporating aspects of the Tailored Support Guidance into the FCA's sourcebooks with effect from November 2024; the requirements for this have been addressed through an internal project. The other bringing Consumer Credit product sales data reporting into force in Q4 2025. This will be the focus of an internal project during 2025.

Government and monetary policy

The Bank of England MPC announced two rate reductions over 2024, 0.25% rate cuts in August and November 2024, reducing UK Bank Base Rate to 4.75% as at 31 December 2024.

Principal risks and uncertainties

Risk management

The effective management of risk is a key part of the Group's strategy and is underpinned by its Risk Aware value. This helps to protect the Group's customers and generate sustainable returns for shareholders. The Group is focused on maintaining sufficient levels of capital, liquidity, operational control, and acting in a responsible way.

The Group's Chief Risk Officer is responsible for leading the Group's Risk function, which is independent from the Group's operational and commercial teams. The Risk function is responsible for designing and overseeing the embedding of appropriate risk management frameworks, processes and controls, to enable key risks to be identified, assessed, monitored, and accepted or mitigated in line with the Group's risk appetite. The Group's risk management practices are regularly reviewed and enhanced to reflect changes in its operating environment. The Chief Risk Officer is responsible for reporting to the Board on the Group's principal risks and how they are being managed against agreed risk appetite.

Risk appetite

The Group has identified the risk drivers and major risk categories relevant to the business, which has enabled it to agree a suite of risk appetite statements and metrics to underpin the strategy of the Group. The Board approves the Group's risk appetite statements annually and these define the level and type of risk that the Group is prepared to accept in the pursuit of its strategic objectives.

Risk culture

A strong risk-aware culture is integral to the successful delivery of the Group's strategy and the effective management of risk.

The Group's risk culture is shaped by a range of factors including risk appetite, risk frameworks and policies, values and behaviours, as well as a clear tone from the top.

The Group looks to enhance continually its risk culture, and performs an annual assessment against standards based on industry best practice and guidance from the Institute of Risk Management.

Risk governance

The Group's approach to managing risk is defined within its Enterprise-Wide Risk Management Framework. This provides a clear risk taxonomy and an overarching framework for risk management supported by frameworks and policies for individual risk disciplines. These frameworks set the standards for risk identification, assessment, mitigation, monitoring and reporting.

The Group's risk management frameworks, policies and procedures are regularly reviewed and updated to reflect the evolving risks that the Group faces in its business activities. They support decision making across the Group and are designed to ensure that risks are appropriately managed and reported via appropriate committees.

An Executive Risk Committee, chaired by the Chief Risk Officer, reviews key risk management information from across all risk disciplines, with material issues escalated to the Executive Committee and/or the Risk Committee of the Board, as required.

The Group operates a 'Three Lines of Defence' model for the management of its risks. The Three Lines of Defence, when taken together, control and manage risks in line with the Group's risk appetite. The three lines are:

- First line: all employees within the business units and associated support functions, including Operations, Finance, Treasury, Human Resources and Legal. The first line has ownership of, and primary responsibility, for their risks.
- Second line: specialist risk management and compliance teams reporting directly into the Chief Risk Officer, covering Credit risk, Operational risk, Information Security, Prudential risk, Compliance and Conduct risk, and Financial Crime risk. The second line are responsible for developing frameworks to assist the first line in the management of their risks and providing oversight and challenge designed to ensure they are managed within appetite.
- Third line: is the Internal Audit function that provides independent assurance on the effectiveness of risk management across the Group.

Committee structure:

Board and Board Committees

See Corporate Governance section of the 2024 Annual Report and Accounts.

Group Executive Committee

Chair: Chief Executive Officer

Provides an executive oversight of the ongoing safe and profitable operation of the Group. It reports to the Board through the Chief Executive Officer.

Responsible for the execution of the strategy of the Group at the direction of the Chief Executive Officer.

Executive Risk Committee

Chair: Chief Risk Officer

Responsible for overseeing the Group's risk profile, its adherence to regulatory compliance and monitoring these against the risk appetite set by the Board.

Monitors the effective implementation of the risk management framework across the Group.

Assets and Liabilities Committee ('ALCO')

Chair: Chief Financial Officer

Responsible for implementing and controlling the liquidity, and asset and liability management risk appetite of the Group, providing high-level control over the Group's balance sheet and associated risks.

Set out controls, capital deployment, treasury strategy guidelines and limits, and focuses on the effects of future plans and strategy on the Group's assets and liabilities.

Credit Risk Committees

Responsible for making decisions and providing oversight of credit scorecards and modelling.

Model Governance Committee

Responsible for understanding, challenging and assessing risk and appropriateness of statistical and financial models, and to challenge model assumptions, and to provide oversight of model validation.

Non-Financial Risk Committee

Responsible for providing oversight of all non-financial risks, including, Financial Crime, Operational, Conduct and Compliance, Climate Change, Information Security, IT and Change risk.

Assumptions Committee

Responsible for approving assumptions that have a material impact on the Group's reporting and/or decision-making processes.

Principal risks

Executive management performs ongoing monitoring and assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Further details of the principal risks and the changes to risk profile seen during the 2024 financial year are set out below.

The Group also regularly reviews strategic and emerging risks and analysis has been included to detail output of these reviews for 2024. Notes 37 to 40 to the Financial Statements provide further analysis of credit, liquidity, market and capital risks. Emerging risks are identified in line with the Group's Enterprise-Wide Risk Management Framework, using a 'top-down' approach with Group Executive workshops and a 'bottom-up' approach through the business unit Risk and Control Self-Assessment process.

Further details of the Group's risk management framework, including risk appetite, can be found on the Group's website: www.securetrustbank.com/riskmanagement.

Description	Mitigation	Change during the year
Credit risk The risk of loss to the Group from the failure of clients, customers or counterparties to honour fully their obligations to the firm, including the whole and timely payment of principal, interest, collateral or other receivables. **Progress:** Stable	The Group has a defined Credit risk framework, which sets out how Credit risk is managed and mitigated across the Group. Risk appetite is cautious with the Group focusing on sectors and products where it has deep experience. Specialist Credit teams are in place within each business area to enable new lending to be originated in line with the Group's risk appetite. For Business Finance, lending is secured against assets, with Real Estate Finance lending, the majority of which is at fixed rates, secured by property at conservative loan-to-value ratios. Short dated Commercial Finance lending is secured across a range of assets, including	During 2024, economic conditions continued to be challenging in the UK, with high levels of inflation and cost-of-living pressures for consumers. The lower Base Rate environment in the second half of 2024 has, however, had a positive impact upon the property market. The Group's lending portfolios performed satisfactorily in 2024. Vehicle Finance saw increased levels of arrears at the beginning of 2024 following changes to collections procedures and the introduction of new forbearance options in the latter part of 2023. Performance has improved over 2024 from a new business perspective with lower delinquency rates being observed, as well as at a portfolio level with roll and cure rates improving during the year. Retail Finance saw a small increase in arrears, following a relaxation of strategy but remains well within risk appetite.

	across a range of assets, including debtors, stock, and plant and machinery. For Consumer Finance, security is taken for Vehicle Finance lending and Retail Finance is unsecured, however, positioned towards lower risk sectors. The vast majority of Retail Finance lending is interest-free for consumers, with remaining consumer lending at fixed rates, which mitigates the direct impact of rising interest rates on affordability. Consumer Credit risk is assessed through a combination of risk scorecards, credit and affordability policy rules. Portfolio performance is tracked closely and reported via specialist management review meetings into the Executive and Board Risk Committees, with the ability to make changes to policy, affordability assessments or scorecards on a dynamic basis. Management monitors and assesses concentration risk for all lending against control limits. The diversification of lending activities and secured nature of larger exposures mitigates the exposure of the Group to concentration risk.	within risk appetite. The Real Estate Finance and Commercial Finance businesses are performing satisfactorily, with key risk metrics remaining within appetite. Some customers have been impacted by higher inflation and lower consumer demand; however, they have been managed closely with low levels of customer defaults resulting. Real Estate Finance at a portfolio level is performing well, with continued strong rental demand supporting valuations across the portfolio. Only a small number of cases are in active workout, and where appropriate, specific provisions have been taken to cover the risk of loss from these exposures. The Real Estate Finance provisions have increased through the year, however, this is mainly due to existing defaulted balances being held for longer than anticipated, leading to increased non-recovery of interest. Similarly, the Commercial Finance business is performing well at a portfolio level. There has been one write-off taken at the end of 2024, attributable to a historic case that was impacted by loss of consumer demand and withdrawal of trade credit insurance. However, in general within 2024, we have seen lower levels of attrition due to client failure, compared to 2023. The overall rating for the year is driven by the continuing uncertainty in the external economic environment.

Description	Mitigation	Change during the year
Liquidity and Funding risk Liquidity risk is the risk that the Group is unable to meet its liquidity obligations as they fall due or can only do so at excessive cost. Funding risk is the risk that the Group is unable to raise or maintain funds to support asset growth, or the risk arising from an unstable funding profile that could result in higher funding costs. **Progress:** Stable	Liquidity and Funding risk is managed in line with the Group's Prudential Risk Management Framework. The Group has a defined set of liquidity and funding risk appetite measures that are monitored and reported, as appropriate. The Group manages its liquidity and funding in line with internal and regulatory requirements, and at least annually assesses its exposure to liquidity risks and adequacy of its liquidity resources as part of the Group's Internal Liquidity Adequacy Assessment Process. In line with the Prudential Regulation Authority's ('PRA') self-sufficiency rule, the Group always seeks to maintain liquid resources that are adequate, both as to amount and quality, and managed to ensure that there is no significant risk that its liabilities cannot be met as they fall due under stressed conditions. The Group defines liquidity adequacy as the: • ongoing ability to accommodate the refinancing of liabilities upon maturity and other means of deposit withdrawal at acceptable cost; • ability to fund asset growth; and • otherwise, capacity to meet contractual obligations through unconstrained access to funding at reasonable market rates.	The Group received regulatory permission to move to the Small Domestic Deposit Takers ('SDDT') regime during 2024, the simplified liquidity rules became effective from 1 July 2024. The Group has maintained its liquidity and funding ratios in excess of regulatory and internal risk appetite requirements throughout the year. A significant level of high-quality liquid assets, held as cash at the Bank of England, continue to be maintained so that there is no material risk that liabilities cannot be met as they fall due. The Group has reviewed funding requirements ahead of the upcoming Term Funding Scheme with additional incentives for SMEs ('TFSME') maturities in 2025 to manage the associated refinancing risk and increased competition for retail funding, and during 2024 has repaid £160.0 million of TFSME earlier than the contractual maturity.

	The Group conducts regular and comprehensive liquidity stress testing to identify sources of potential liquidity strain and to check that the Group's liquidity position remains within the Board's risk appetite and prudential regulatory requirements. **Contingency funding plans** The Group maintains a Recovery Plan that sets out how the Group would maintain sufficient liquidity to remain viable during a severe liquidity stress event. The Group also maintains access to the Bank of England liquidity schemes, including the Discount Window Facility.	

Description	Mitigation	Change during the year
Capital risk Capital risk is the risk that the Group will have insufficient capital resources to meet minimum regulatory requirements and to support planned levels of growth. The Group adopts a conservative approach to managing its capital. It annually assesses the adequacy of the amount and quality of capital held under stress as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP'). **Progress:** Stable	Capital management is defined as the operational and governance processes by which capital requirements are identified and capital resources maintained and allocated, such that regulatory requirements are met, while optimising returns and supporting sustainable growth. The Group manages its capital requirements on a forward-looking basis against minimum regulatory requirements and the Board's risk appetite set to enable capital resources to be sufficient to support planned levels of growth. The Group will take opportunities to increase overall levels of capital and to optimise its capital stack as and when appropriate. In addition to the ICAAP, the Group performs regular budgeting and reforecasting exercises that consider a five-year time horizon. These forecasts are used to plan for future lending growth at a rate that both increases year-on-year profits and maintains a healthy capital surplus, taking into consideration the impact of known and anticipated future regulatory changes. The Group also models various stressed scenarios looking over a five-year time horizon, which consider a range of growth rates over those years as part of the viability and going concern assessments. Further information on the Group's capital requirement is contained within the Pillar 3 disclosures, which are published as a separate document on our website (www.securetrustbank.com/pillar3).	The Group's balance sheet and total risk exposure has increased since the beginning of the year as the Group continues to grow its core businesses organically. Despite the growth in its balance sheet, the Group has continued to maintain adequate capital, and all capital ratio measures have been exceeded throughout the period. Details of the Common Equity Tier 1 ratio, total capital ratio and leverage ratio are included in the Financial. The 2024 ICAAP showed that the Group can continue to meet its minimum regulatory capital requirements, even under extreme stress scenarios. Additionally, the Group has assessed the capital impact of severe but plausible outcomes in relation to potential redress payments related to historical motor commissions against our 2024 ICAAP and Recovery Plan and are satisfied the Group could maintain capital adequacy in such a scenario. The Group has assessed the high-level impact of the proposed Basel 3.1 rules and the PRA Interim Capital Regime, and has taken this into consideration as part of the capital planning.

Description	Mitigation	Change during the year
Market risk Market risk is the risk to the Group's earnings and/or value from unfavourable market movements, such as interest rates and foreign exchange rates. The	The Group's principal exposure comes from the term structure of interest rate sensitive items and the sensitivity of the Group's current and future earnings and economic value to movements in market interest rates. The Group does not take significant unmatched positions through the application of hedging strategies and does not operate a trading book.	Despite changes in the Bank of England Base Rate during 2024, and continued uncertainty over interest rate movements, interest rate risk and foreign exchange risk remain well managed. Risk exposures are actively managed through increased frequency of monitoring and in 2024, the Group has successfully implemented central clearing to support increased derivative activity.

Group's market risk primarily arises from interest rate risk. Interest rate risk refers to the exposure of the Group's financial position, balance sheet and earnings to movements in interest rates. The Group's balance sheet is predominantly denominated in GBP, although a small number of transactions are completed in US Dollars, euros and other currencies in support of Commercial Finance customers. **Progress:** Stable	The main contributors to interest rate risk are: • the mismatch, or duration, between repricing dates of assets and liabilities; and • customer optionality, for example, early repayment of loans in advance of contractual maturity dates. The Group uses an interest rate sensitivity gap analysis that informs the Group of any significant mismatched interest rate risk positions that require hedging. This takes into consideration the behavioural assumptions for optionality as approved by ALCO. Risk positions are managed through the structural matching of assets and liabilities with similar tenors and the use of vanilla interest rate derivative instruments to hedge the residual unmatched position and minimise the Group's exposure to interest rate risk. The Group has a defined set of market risk appetite measures that are monitored monthly. Interest rate risk in the banking book is measured from an internal management and regulatory perspective, taking into consideration both an economic value and earnings-based approach. The Group monitors its exposure to basis risk and any residual non-GBP positions. Processes are in place to review and react to movements of the Bank of England Base Rate. The Group has no significant exposures to foreign currencies and hedges any residual currency risks to sterling. All such exposures are maintained within the risk appetite set by the Board and are monitored by ALCO.	

Description	Mitigation	Change during the year
Operational risk Operational risk is the risk that the Group may be exposed to direct or indirect loss arising from inadequate or failed internal processes, personnel and succession, technology/ infrastructure, or from external factors. The scope of Operational risk is broad and includes business process, operational resilience, third party risk, Change management, Human Resources,	The Group has an Operational Risk Framework designed in accordance with the 'Principles for the Sound Management of Operational Risk' issued by the Basel Committee on Banking Supervision. This framework defines and facilitates a range of activities, including: • a Risk and Control Self-Assessment process to identify, assess and mitigate risks across all business units through improvements to the control environment; • the governance arrangements for managing and reporting these risks; • risk appetite statements and associated thresholds and metrics; and • an incident management process that defines how incidents should be managed and associated remediation, reporting and root-cause analysis.	The Group uses the 'Standardised Approach' for assessing its operational risk capital, in recognition of the enhancements made to its framework and embedding it across the Group. The Group continues to invest in resource, expertise and systems to support the effective management of operational risk. In 2024, the Group has continued to enhance these standards and has introduced several improvements to the control frameworks in place across its operational risks. Overall, the assessment is that the level of risk has remained stable.

Information Security and IT risk, including Cyber risk. **Progress:** Stable	The framework is designed to ensure appropriate governance is in place to provide adequate and effective oversight of the Group's operational risks. The governance framework includes the Non-Financial Risk, Executive Risk and Board Risk Committees. The Group has a defined set of qualitative and quantitative Operational risk appetite measures. These measures cover all categories of operational risk and are reported and monitored monthly. In addition to the delivery of framework requirements, the Group has focused on various thematic areas of operational risk in 2024, including operational resilience where the Group is on track to meet the March 2025 regulatory deadline, and the integration of Artificial Intelligence ('AI') risk into existing Risk Frameworks and Policies.	

Description	Mitigation	Change during the year
Model risk Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. The Group has multiple models that are used, amongst other things, to support pricing, strategic planning, budgeting, forecasting, regulatory reporting, credit risk management and provisioning. **Progress:** Stable	Whilst the Group is not within the scope of the PRA's Supervisory Statement 1/23, it has aligned its model risk management practices to this standard and has a model risk management framework, defined risk appetite, a model Governance Committee, policies, procedures, model development standards and model validation in place.	The Group has made progress in formally implementing stronger Model Governance in 2024 and strengthening the scope, awareness and reporting of its model inventory. The Group has clarified roles and responsibilities for model owners and has produced internal independent validation reports for a number of higher risk models.

Description	Mitigation	Change during the year
Compliance and Conduct risk The risk that the Group's products and services, and the way they are delivered, or the Group's failure to be compliant with all relevant regulatory requirements, result in poor outcomes for customers or markets in which we operate, or cause harm to the Group. This could be as a direct result of poor	The Group manages this risk through its Compliance and Conduct Risk Management Framework. The Group takes a principle-based approach, which includes retail and commercial customers in our definition of 'customer', with coverage across all business units and both regulated and unregulated activities. Risk management activities follow the Enterprise-Wide Risk Management Framework, through identifying, assessing and managing risks, governance arrangements and reporting risks against Group risk appetite. Arrangements include horizon-scanning of regulatory changes, oversight of regulatory incidents and assurance activities conducted by the	The overall rating for the year is driven predominantly by the developments regarding historical motor finance commissions. Following the Court of Appeal's rulings in October, the Group paused new consumer lending in Vehicle Finance to consider the implications of the ruling and commenced new business after three days with enhanced disclosures in place about commission arrangements between the Group and its Vehicle Finance introducers. The Group is continuing to track developments in order to respond when the implications for the industry become clearer. Other Compliance and Conduct risk areas of focus during the year related to the Group's review of its collections processes, procedures

or inappropriate execution of our business activities or behaviour from our employees. **Progress:** Heightened	three lines of defence, including the second line Compliance Monitoring programme. The Group's horizon-scanning activities track industry and regulatory developments, including the implementation of the Basel 3.1 standards and the SDDT regime, Consumer Credit product sales data reporting and regulation of Buy Now Pay Later.	and policies in Vehicle Finance, following its formal discussions with the FCA on its BiFD review. The Group is in the final stages of this review.

Description	Mitigation	Change during the year
Financial Crime risk The risk that the Group's products and services will be used to facilitate financial crime, resulting in harm to its customers, the Group or third parties, and the Group fails to protect them by not having effective systems and controls. Financial Crime includes anti-money laundering, terrorist financing, proliferation financing, sanctions restrictions, modern slavery, human trafficking, fraud, the failure to prevent fraud and the facilitation of tax evasion. The Group may incur significant remediation costs to rectify issues, reimburse losses incurred by customers and address regulatory censure and penalties. **Progress:** Stable	We operate in a constantly developing financial crime environment and are exposed to financial crime risks of varying degrees across all areas of the Group. The Group is focused on maintaining effective systems and controls, alongside vigilance against all forms of financial crime and meeting our regulatory obligations. The Group has a Financial Crime Framework designed to meet regulatory and legislative obligations, which includes: • mandatory annual colleague training and awareness initiatives; • regular reviews of our suite of financial crime policies, standards and procedures, checking they remain up to date and addressing any legislative/regulatory change and emerging risks; • detection, transaction monitoring and screening technologies; • extensive recruitment policy to screen potential and existing employees; • horizon-scanning and regular management information production and analysis conducted to identify emerging threats, trends and typologies, as well as preparing for new legislation and regulation; • financial crime-focused governance with risk committees providing senior management oversight, challenge and risk escalation; and • intelligence shared through participating in key industry events such as those hosted by UK Finance and other networks.	Enhancements to the Group's financial crime control environment have continued with a focus on Authorised Push Payment Reimbursement policy requirements. We are closely monitoring changes to financial crime regulation and guidance, and responding to them.

Description	Mitigation	Change during the year
Climate Change risk Climate change, and society's response to it, present risks to the UK financial services sector, with some of these only fully crystallising over an extended period. The	The Group has established processes to monitor our risk exposure to both the potential 'physical' impacts of climate change and the 'transitional' risks from the UK's adjustment towards a carbon neutral economy. The Group approach to climate risk is proportionate to its scale and nature of its activities. This has enabled the Group to align both its business and climate	The Group's direct exposure to the physical impacts of climate change remains limited, given its footprint and areas of operation. However, it has maintained robust controls and oversight, designed to manage the associated risks and continues to develop its business plans, as the risks mature. Disclosures are made within the Climate-related financial disclosures section of the

Group is exposed to physical and transition risks arising from climate change. **Progress:** Stable	objectives. Climate change and its management are a key part of the Group's Environmental, Social and Governance strategy. The Group continues to undertake stress testing aligned to climate change scenarios, individually, across each of our key businesses. The tests are focused on the resilience of our portfolios and strategies, to manage the risks and opportunities of climate change. Further detail is provided within the Climate-related financial disclosures section of the 2024 Annual Report and Accounts.	Annual Report and Accounts in line with the guidance from the 'Task Force on Climate-Related Financial Disclosures', where we are now fully aligned. Specific detail on each of the key risks identified and mitigation are covered within the Strategy section of the Climate-related financial disclosures in the 2024 Annual Report and Accounts. The Group continues to monitor the evolving climate disclosure landscape and regulatory requirements and expectations, including transition planning.

Strategic and emerging risks

The key strategic risk for the Group remains the macroeconomic environment in the UK. The Group's operational footprint, lending exposures and funding sources are all in the UK, therefore, overall performance is influenced by the strength and performance of the UK economy. Given the specialist nature of the Group's lending, it is not exposed across all areas and sectors of the UK economy, however, key areas such as consumer confidence and affordability, levels of economic activity and house prices will impact on levels of demand for the Group's products and services. As well as performance of its credit portfolios and achievable returns.

Whilst inflation pressures reduced significantly in 2024, this did not allow for material reductions in the Bank of England Base Rate, which remains high by recent standards. Whilst these issues have not presented at a portfolio level given the prudent approach taken by the Group towards credit risk, these factors are tracked closely through ongoing portfolio monitoring and required changes in lending parameters are undertaken on a proactive basis.

The Group monitors the look forward strategic risk via regular analysis of forecast economic data as part of its review of impairment assumptions and in its annual ICAAP and ILAAP processes. In addition to direct economic factors, the Group is also exposed to the general operating environment in the UK for a regulated business.

The Group is tracking closely the potential legal and regulatory risk associated with the Court of Appeal rulings and Supreme Court appeal about the three historical motor commissions cases (see Note 29 to the Financial Statements). The Group is awaiting the outcome of the Supreme Court appeal and other legal developments, and the FCA's motor finance review to establish whether and how its historical Vehicle Finance lending will be impacted.

In addition to these specific industry events, the Group is also tracking the various consultation papers relating to regulatory change and engaging with industry bodies to provide input into proposed changes, as well as tracking potential impact.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards. The Financial Statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the IASB. The Directors have also chosen to prepare the Parent Company Financial Statements under 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 the profit or loss of the Company for that period.

In preparing these Financial Statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

Responsibility statement

Each of the Directors who are in office at the date of this report and whose names and roles are listed on pages 71 to 73 of the 2024 Annual Report and Accounts confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Consolidated statement of comprehensive income

For the year ended 31 December 2024

	Note	**2024 £million**	2023 £million
Income statement			
Continuing operations			
Interest income and similar income	4.1	366.0	304.0
Interest expense and similar charges	4.1	(181.1)	(136.5)
Net interest income	4.1	**184.9**	**167.5**
Fee and commission income	4.2	19.2	17.3
Fee and commission expense	4.2	(0.2)	(0.1)
Net fee and commission income	4.2	**19.0**	**17.2**
Operating income		**203.9**	**184.7**
Net impairment charge on loans and advances to customers	16	(61.9)	(43.2)
Other (losses)/gains		(0.3)	0.3
Fair value and other gains on financial instruments	5	1.2	0.5
Operating expenses	6	(103.8)	(99.7)
Profit before income tax from continuing operations before exceptional items		**39.1**	**42.6**
Exceptional items	8	(9.9)	(6.5)
Profit before income tax from continuing operations		**29.2**	**36.1**
Income tax expense	9	(9.5)	(9.7)
Profit for the year from continuing operations		**19.7**	**26.4**
Discontinued operations			
Loss before income tax from discontinued operations	10	**-**	**(2.7)**
Income tax credit	10	-	0.6
Loss for the year from discontinued operations	10	**-**	**(2.1)**
Profit for the year		**19.7**	**24.3**

Other comprehensive income			
Items that may be reclassified to the income statement			
Cash flow hedge reserve movements		(0.8)	-
Reclassification to the income statement		1.3	0.6
Taxation		(0.2)	(0.1)
Other comprehensive income for the year, net of income tax		**0.3**	**0.5**
Total other comprehensive income		**20.0**	**24.8**

Profit attributable to equity holders of the Company		**19.7**	**24.3**
Total comprehensive income attributable to equity holders of the Company		**20.0**	**24.8**

Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)			
Basic earnings per ordinary share	11.1	**103.4**	**129.6**
Diluted earnings per ordinary share	11.2	**101.4**	**126.1**
Basic earnings per ordinary share - continuing operations		**103.4**	**140.8**
Diluted earnings per ordinary share - continuing operations		**101.4**	**137.0**

Consolidated and Company statement of financial position

As at 31 December 2024

		Group		Company	
		2024	2023	**2024**	2023
	Note	**£million**	£million	**£million**	£million
ASSETS					
Cash and Bank of England reserve account		445.0	351.6	445.0	351.6
Loans and advances to banks	13	24.0	53.7	23.6	53.0
Loans and advances to customers	14, 15	3,608.5	3,315.3	3,608.5	3,315.3
Fair value adjustment for portfolio hedged risk	17	(6.8)	(3.9)	(6.8)	(3.9)
Derivative financial instruments	17	14.3	25.5	14.3	25.5
Investment property	18	-	-	0.9	0.9
Property, plant and equipment	19	9.9	10.8	6.0	6.3
Right-of-use assets	20	1.6	1.8	1.4	1.6
Intangible assets	21	5.0	5.9	2.9	3.5
Investments in group undertakings	22	-	-	6.1	5.9
Current tax assets		0.2	0.1	1.0	-
Deferred tax assets	23	3.3	4.3	3.3	4.3
Other assets	24	11.7	12.9	13.0	14.4
Total assets		**4,116.7**	**3,778.0**	**4,119.2**	**3,778.4**
LIABILITIES AND EQUITY					
Liabilities					
Due to banks	25	365.8	402.0	365.8	402.0
Deposits from customers	26	3,244.9	2,871.8	3,244.9	2,871.8
Fair value adjustment for portfolio hedged risk	17	(3.4)	(1.4)	(3.4)	(1.4)
Derivative financial instruments	17	10.0	22.0	10.0	22.0
Current tax liabilities		-	-	-	0.3
Lease liabilities	27	1.8	2.3	1.6	2.1
Other liabilities	28	32.5	37.7	41.1	44.7
Provisions for liabilities and charges	29	11.3	6.0	11.3	5.6
Subordinated liabilities	30	93.3	93.1	93.3	93.1
Total liabilities		**3,756.2**	**3,433.5**	**3,764.6**	**3,440.2**
Equity attributable to owners of the parent					
Share capital		7.6	7.6	7.6	7.6
Share premium		84.0	83.8	84.0	83.8
Other reserves		(2.2)	(1.7)	(2.2)	(1.7)

Retained earnings	271.1	254.8	265.2	248.5
Total equity	**360.5**	**344.5**	**354.6**	**338.2**
Total liabilities and equity	**4,116.7**	**3,778.0**	**4,119.2**	**3,778.4**

Consolidated and Company statement of changes in equity

	Group						Company					
	Equity attributable to equity holders of the parent						Equity attributable to equity holders of the parent					
			Other reserves						Other reserves			
	Share capital	**Share premium**	**Cash flow hedge reserve**	**Own shares**	**Retained earnings**	**Total**	**Share capital**	**Share premium**	**Cash flow hedge reserve**	**Own shares**	**Retained earnings**	**Tot**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£million**	**£millic**
Balance at 1 January 2024	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**254.8**	**344.5**	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**248.5**	**338**
Profit for 2024	-	-	-	-	19.7	19.7	-	-	-	-	20.1	20
Other comprehensive income for the year, net of income tax	-	-	0.3	-	-	0.3	-	-	0.3	-	-	0
Total comprehensive income for the year	**-**	**-**	**0.3**	**-**	**19.7**	**20.0**	**-**	**-**	**0.3**	**-**	**20.1**	**20**
Purchase of own shares	-	-	-	(1.4)	-	(1.4)	-	-	-	(1.4)	-	(1.
Sale of own shares	-	-	-	0.6	-	0.6	-	-	-	0.6	-	0
Loss on sale of own shares	-	-	-	-	(0.5)	(0.5)	-	-	-	-	(0.5)	(0
Issue of shares	-	0.2	-	-	-	0.2	-	0.2	-	-	-	0
Dividends paid	-	-	-	-	(5.2)	(5.2)	-	-	-	-	(5.2)	(5
Share-based payments	-	-	-	-	2.3	2.3	-	-	-	-	2.3	2
Balance at 31 December 2024	**7.6**	**84.0**	**-**	**(2.2)**	**271.1**	**360.5**	**7.6**	**84.0**	**-**	**(2.2)**	**265.2**	**354**
Balance at 1 January 2023	**7.5**	**82.2**	**(0.8)**	**(0.3)**	**237.8**	**326.4**	**7.5**	**82.2**	**(0.8)**	**(0.3)**	**230.2**	**318**
Profit for 2023	-	-	-	-	24.3	24.3	-	-	-	-	25.6	25
Other comprehensive income for the year, net of income tax	-	-	0.5	-	-	0.5	-	-	0.5	-	-	0
Total comprehensive income for the year	**-**	**-**	**0.5**	**-**	**24.3**	**24.8**	**-**	**-**	**0.5**	**-**	**25.6**	**26**
Purchase of own shares	-	-	-	(1.2)	-	(1.2)	-	-	-	(1.2)	-	(1
Sale of own shares	-	-	-	0.1	-	0.1	-	-	-	0.1	-	0
Issue of shares	0.1	1.6	-	-	-	1.7	0.1	1.6	-	-	-	1
Dividends paid					(8.4)	(8.4)					(8.4)	(8

Dividends paid	-	-	-	-	(8.4)	(8.4)	-	-	-	-	(8.4)	(8
Share-based payments	-	-	-	-	1.1	1.1	-	-	-	-	1.1	1
Balance at 31 December 2023	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**254.8**	**344.5**	**7.6**	**83.8**	**(0.3)**	**(1.4)**	**248.5**	**338**

Consolidated statement of cash flows

For the year ended 31 December 2024

	Note	**2024** **£million**	2023 £million
Cash flows from operating activities			
Profit for the year		19.7	24.3
Adjustments for:			
Income tax expense	9	9.5	9.1
Depreciation of property, plant and equipment	19	1.0	0.9
Depreciation of right-of-use assets	20	1.0	0.7
Amortisation of intangible assets	21	1.4	1.2
Loss on disposal of property, plant and equipment, right-of-use assets and intangible assets		-	0.2
Impairment charge on loans and advances to customers		61.9	43.2
Share-based compensation	34	2.3	1.1
Provisions for liabilities and charges	29	9.8	8.5
Other non-cash items included in profit before tax		(0.6)	(0.8)
Cash flows from operating profits before changes in operating assets and liabilities		106.0	88.4
Changes in operating assets and liabilities:			
Loans and advances to customers		(354.8)	(439.0)
Loans and advances to banks		5.0	(1.3)
Other assets		1.4	0.4
Deposits from customers		373.1	357.2
Provisions for liabilities and charges utilisation		(4.7)	(4.7)
Other liabilities		(5.5)	(37.8)
Income tax paid		(8.8)	(8.6)
Net cash inflow/(outflow) from operating activities		**111.7**	**(45.4)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	19,21	(1.0)	(2.7)
Net cash outflow from investing activities		**(1.0)**	**(2.7)**
Cash flows from financing activities			
Issue of subordinated debt	30	-	70.0
Redemption of subordinated debt	30	-	(28.8)
Drawdown/(repayment) of amounts due to banks		0.8	(0.9)
Drawdown of Index Long-Term Repos		125.0	-
Repayment of Term Funding Scheme with additional incentives for SMEs		(160.0)	-
Purchase of own shares		(1.4)	(1.2)
Issue of shares		0.2	1.7
Dividends paid	12	(5.2)	(8.4)
Repayment of lease liabilities	27	(1.4)	(0.9)
Net cash (outflow)/inflow from financing activities		**(42.0)**	**31.5**
Net increase/(decrease) in cash and cash equivalents		**68.7**	**(16.6)**

Net increase/(decrease) in cash and cash equivalents		[illegible]	[illegible]
Cash and cash equivalents at 1 January		400.3	416.9
Cash and cash equivalents at 31 December	35	**469.0**	**400.3**

Company statement of cash flows

For the year ended 31 December 2024

	Note	**2024** **£million**	2023 £million
Cash flows from operating activities			
Profit for the year		20.1	25.6
Adjustments for:			
Income tax expense	9	6.2	6.7
Depreciation of property, plant and equipment	19	0.6	0.6
Depreciation of right-of-use assets	20	0.8	0.6
Amortisation of intangible assets	21	1.1	1.0
Loss on disposal of property, plant and equipment		-	0.1
Impairment charge on loans and advances to customers		62.0	43.2
Share-based compensation	34	2.1	0.9
Dividends received from subsidiaries		(9.5)	(10.2)
Provisions for liabilities and charges	29	10.1	7.2
Other non-cash items included in profit before tax		(1.2)	1.4
Cash flows from operating profits before changes in operating assets and liabilities		92.3	77.1
Changes in operating assets and liabilities:			
Loans and advances to customers		(354.9)	(439.0)
Loans and advances to banks		5.0	(1.3)
Other assets		11.3	8.7
Deposits from customers		373.1	357.2
Provisions for liabilities and charges utilisation		(4.6)	(3.3)
Other liabilities		(3.9)	(38.6)
Income tax paid		(6.7)	(5.9)
Net cash inflow/(outflow) from operating activities		**111.6**	**(45.1)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	19, 21	(0.8)	(2.2)
Net cash outflow from investing activities		**(0.8)**	**(2.2)**
Cash flows from financing activities			
Issue of subordinated debt	30	-	70.0
Redemption of subordinated debt	30	-	(28.8)
Drawdown/(repayment) of amounts due to banks		0.8	(0.9)
Drawdown of Index Long-Term Repos		125.0	-
Repayment of Term Funding Scheme with additional incentives for SMEs		(160.0)	-
Purchase of own shares		(1.4)	(1.2)
Issue of shares		0.2	1.7
Dividends paid	12	(5.2)	(8.4)
Repayment of lease liabilities	27	(1.2)	(0.8)
Net cash (outflow)/inflow from financing activities		**(41.8)**	**31.6**
Net increase/(decrease) in cash and cash equivalents		**69.0**	**(15.7)**

Cash and cash equivalents at 1 January		399.6	415.3
Cash and cash equivalents at 31 December	35	**468.6**	**399.6**

Notes to the consolidated financial statements

1. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below, and if applicable, directly under the relevant note to the consolidated financial statements. These policies have been consistently applied to all of the years presented, unless otherwise stated.

1.1. Reporting entity

Secure Trust Bank PLC is a public limited company incorporated in England and Wales in the United Kingdom (referred to as the 'Company') and is limited by shares. The Company is registered in England and Wales and has the registered number 00541132. The registered address of the Company is Yorke House, Arleston Way, Solihull B90 4LH. The consolidated financial statements of the Company as at, and for, the year ended 31 December 2024 comprise Secure Trust Bank PLC and its subsidiaries (together referred to as the 'Group' and individually as 'subsidiaries'). The Group is primarily involved in the provision of banking and financial services.

1.2. Basis of presentation

The figures shown for the year ended 31 December 2024 are not statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2024 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 December 2023 are not statutory accounts. A copy of the statutory accounts has been delivered to the Registrar of Companies, which contained an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006. This announcement has been agreed with the Company's auditors for release.

1.3. Consolidation

Subsidiaries

Subsidiaries are all investees controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition, excluding directly attributable costs, over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The parent company's investments in subsidiaries are recorded at cost less, where appropriate, provision for impairment. The fair value of the underlying business of the Company's only material investment was significantly higher than carrying value, and, therefore, no impairment was required.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Subsidiaries are de-consolidated from the date that control ceases.

Discontinued operations

Discontinued operations are a component of an entity that has been disposed of and represents a major line of business and/or is part of a single co-ordinated disposal plan.

1.4. Financial assets and financial liabilities accounting policy

Financial assets (with the exception of derivative financial instruments) accounting policy

The Group classifies its financial assets at inception into three measurement categories: 'amortised cost', 'Fair Value Through Other Comprehensive Income' ('FVOCI') and 'Fair Value Through Profit or Loss' ('FVTPL'). A financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ('SPPI').

The Group's current business model for all financial assets, with the exception of derivative financial instruments, is to hold to collect contractual cash flows, and all assets held give rise to cash flows on specified dates that represent SPPI on the outstanding principal amount. All of the Group's financial assets are, therefore, currently classified as amortised cost, except for derivative financial instruments. Loans are recognised when funds are advanced to customers and are carried at amortised cost using the Effective Interest Rate ('EIR') method.

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

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

The Group currently has no financial instruments classified as FVOCI.

See below for further details of the business model assessment and the SPPI test.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election would be made on an investment-by-investment basis. The Group currently holds no such investments.

All other assets are classified as FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group has not reclassified any financial assets during the reporting period.

Assessment 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 cost of funds 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. administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group 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 the condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- prepayments and extension terms;
- terms that limit the Group's claim to cash flows from specific assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

Business model assessment

The Group 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 managing the portfolio in order to collect contractual cash flows or whether it is managed in order to trade to realise fair value changes;
- how the performance of the portfolio is evaluated and reports to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are classified as FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Group currently has no financial instruments classified as FVTPL.

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, plus or minus the cumulative amortisation using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, minus any reduction for impairment.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all of the risks and rewards of ownership or in the event of a substantial where the Group has transferred substantially all of the risks and rewards of ownership or in the event of a substantial modification. There have not been any instances where assets have only been partially derecognised.

Modification of loans

A customer's account may be modified to assist customers who are in, or have recently overcome, financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments. Substantial loan modifications result in the derecognition of the existing loan, and the recognition of a new loan at the new origination EIR based on the expected future cash flows at origination. Determination of the origination Probability of Default ('PD') for the new loan is required, based on the PD as at the date of the modification, which is used for the calculation of the impairment provision against the new loan. Any deferred fees or deferred interest, and any difference between the carrying value of the derecognised loan and the new loan, is written-off to the income statement on recognition of the new loan.

Where the modification is not considered to be substantial, neither the origination EIR nor the origination probability of default for the modified loan changes. The net present value of changes to the future contractual cash flows adjusts the carrying amount of the original asset with the difference immediately being recognised in profit or loss. The adjusted carrying amount is then amortised over the remaining term of the modified loan using the original EIR.

Financial liabilities (with the exception of derivative financial instruments)

The Group classifies its financial liabilities as measured at amortised cost. Such financial liabilities are recognised when cash is received from depositors and carried at amortised cost using the EIR method. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset.

1.5. Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the consolidated statement of financial position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

2. Critical accounting judgements and key sources of estimation uncertainty

2.1. Judgements

No critical judgements have been identified.

2.2. Key sources of estimation uncertainty

Estimations that could have a material impact on the Group's financial results, and, are therefore, considered to be key sources of estimation uncertainty. Key sources of estimation can be found in:

- Note 16. Allowances for impairment of loans and advances to customers;
- Note 29. Provisions for liabilities and charges.

3. Operating segments

The Group is organised into four operating segments, which consist of the different products available, as disclosed below.

Consumer Finance

- Retail Finance: a market-leading online e-commerce service to retailers, providing unsecured lending products to prime UK customers to facilitate the purchase of a wide range of consumer products, including bicycles, musical instruments and equipment, furniture, outdoor/leisure, electronics, dental, jewellery, home improvements and football season tickets.
- Vehicle Finance: hire purchase lending for used cars to prime and near-prime customers and Personal Contract Purchase lending into the consumer prime credit market, both secured against the vehicle financed. In addition, a Stocking Funding product is also offered, whereby funds are advanced and secured against dealer forecourt used car stock, sourced from auctions, part exchanges or trade sources.

Business Finance

- Real Estate Finance: lending secured against property assets to a maximum 70% loan-to-value ratio, on fixed or variable rates over a term of up to five years.
- Commercial Finance: lending is predominantly against receivables, typically releasing 90% of qualifying invoices under invoice discounting facilities. Other assets can also be funded either long or short term and for a range of loan-to-value ratios alongside these services.

Other

This principally includes interest receivable from central banks, interest receivable and payable on derivatives and interest payable on deposits from customers, amounts due to banks and subordinated liabilities, and operating expenses, which are not recharged to the operating segments.

The Group's chief operating decision maker, the Executive Committee, regularly reviews these segments by looking at the operating income, size of the loan books and impairments.

Interest expense is charged to the operating segments in accordance with the Group's internal funds transfer pricing policy. Operating expenses reflect costs incurred directly, and costs incurred centrally that are reallocated to the operating segment to which they can be directly attributed.

Additionally, no balance sheet items are allocated to segments other than loans and advances to customers.

All of the Group's operations are conducted wholly within the United Kingdom and geographical information is, therefore, not presented.

	Retail Finance £million	**Vehicle Finance £million**	**Real Estate Finance £million**	**Commercial Finance £million**	**Other £million**	**Group £million**
31 December 2024						
Interest income and similar income	140.7	69.2	87.1	29.8	39.2	366.0
Interest expense and similar charges	(53.9)	(21.6)	(54.5)	(17.6)	(33.5)	(181.1)
Net interest income	**86.8**	**47.6**	**32.6**	**12.2**	**5.7**	**184.9**
Fee and commission income	3.2	0.9	0.4	14.6	0.1	19.2
Fee and commission expense	-	(0.1)	-	(0.1)	-	(0.2)
Net fee and commission income	**3.2**	**0.8**	**0.4**	**14.5**	**0.1**	**19.0**
Operating income	**90.0**	**48.4**	**33.0**	**26.7**	**5.8**	**203.9**
Net impairment charge on loans and advances to customers	(13.3)	(38.7)	(4.0)	(5.9)	-	(61.9)
Other gains/(losses)	-	0.1	-	-	(0.4)	(0.3)
Fair value gains on financial instruments	-	-	-	-	1.2	1.2
Operating expenses	(26.1)	(31.6)	(10.0)	(8.1)	(28.0)	(103.8)
Profit/(loss) before income tax before exceptional items	**50.6**	**(21.8)**	**19.0**	**12.7**	**(21.4)**	**39.1**
Exceptional items	-	-	-	-	(9.9)	(9.9)
Profit/(loss) before income tax	**50.6**	**(21.8)**	**19.0**	**12.7**	**(31.3)**	**29.2**
Loans and advances to customers	**1,357.8**	**558.3**	**1,341.4**	**351.0**	**-**	**3,608.5**

A new presentation layout for operating segments has been adopted in the current year to provide information in a format aligned to the layout of the primary financial statements.

Prior year data is also presented using the same format to aid comparability. This is intended to provide more clear analysis of how each segment contributes to the Group's performance.

	Retail Finance £million	Vehicle Finance £million	Real Estate Finance £million	Commercial Finance £million	Other £million	Group £million
31 December 2023						
Interest income and similar income	106.5	59.1	74.4	27.2	36.8	304.0
Interest expense and similar charges	(33.4)	(15.0)	(44.7)	(14.0)	(29.4)	(136.5)
Net interest income	**73.1**	**44.1**	**29.7**	**13.2**	**7.4**	**167.5**
Fee and commission income	3.2	1.8	0.9	11.4	-	17.3
Fee and commission expense	-	-	-	(0.1)	-	(0.1)
Net fee and commission income	**3.2**	**1.8**	**0.9**	**11.3**	-	**17.2**
Operating income	**76.3**	**45.9**	**30.6**	**24.5**	**7.4**	**184.7**
Net impairment charge on loans and advances to						

Net impairment charge on loans and advances to customers	(15.9)	(14.8)	(4.5)	(8.0)	-	(43.2)
Other gains	-	0.3	-	-	-	0.3
Fair value gains on financial instruments	-	-	-	-	0.5	0.5
Operating expenses	(26.7)	(28.2)	(10.2)	(7.7)	(26.9)	(99.7)
Profit/(loss) before income tax before exceptional items	**33.7**	**3.2**	**15.9**	**8.8**	**(19.0)**	**42.6**
Exceptional items	-	-	-	-	(6.5)	(6.5)
Profit/(loss) before income tax	**33.7**	**3.2**	**15.9**	**8.8**	**(25.5)**	**36.1**
Loans and advances to customers	**1,223.2**	**467.2**	**1,243.8**	**381.1**	**-**	**3,315.3**

4. Operating income

All items below arise from financial instruments measured at amortised cost unless otherwise stated.

4.1. Net interest income

	2024	2023
	£million	£million
Loans and advances to customers	326.7	267.0
Cash and Bank of England reserve account	22.5	17.5
	349.2	284.5
Income on financial instruments hedging assets	16.8	19.5
Interest income and similar income	**366.0**	**304.0**
Deposits from customers	(136.0)	(88.2)
Due to banks	(18.5)	(18.7)
Subordinated liabilities	(11.9)	(10.7)
Other	(0.1)	(0.1)
	(166.5)	(117.7)
Expense on financial instruments hedging liabilities	(14.6)	(18.8)
Interest expense and similar charges	**(181.1)**	**(136.5)**

Interest income and expense accounting policy

For all financial instruments measured at amortised cost, the EIR method is used to measure the carrying value and allocate interest income or expense. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating the EIR for financial instruments, other than assets that were credit impaired on initial recognition, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges and broker commissions) and anticipated customer behaviour but does not consider future credit losses.

The calculation of the EIR includes all fees received and paid that are an integral part of the loan, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

For financial assets that are not considered to be credit-impaired ('Stage 1' and 'Stage 2' assets), interest income is recognised by applying the EIR to the gross carrying amount of the financial asset. For financial assets that become credit-impaired subsequent to initial recognition ('Stage 3' assets), from the next reporting period onwards interest income is recognised by applying the EIR to the amortised cost of the financial asset. The credit risk of financial assets that become credit-impaired are not expected to improve such that they are no longer considered credit-impaired, however, if this were to occur, the calculation of interest income would revert back to the gross basis. The Group's definition of Stage 1, Stage 2 and Stage 3 assets is set out in Note 16.

For financial assets that were credit-impaired on initial recognition ('POCI' assets), income is calculated by applying the credit adjusted EIR to the amortised cost of the asset. Collection activity costs are not included in the amortised cost of the assets, but are included in operating expenses in the income statement, and are recognised as incurred, in common with other businesses in the sector. For such financial assets the calculation of interest income will never revert to a gross basis, even if the credit risk of the asset improves.

revert to a gross basis, even if the credit risk of the asset improves.

Further details regarding when an asset becomes credit-impaired subsequent to initial recognition is provided within Note 16.

4.2. Net fee and commission income

	2024	2023
	£million	£million
Fee and disbursement income	18.1	16.4
Commission income	1.1	0.9
Fee and commission income	**19.2**	**17.3**
Other expenses	(0.2)	(0.1)
Fee and commission expense	**(0.2)**	**(0.1)**

Fees and commission income is all recognised under IFRS 15 Revenue from contracts to customers and consists principally of the following:

- Commercial Finance - discounting, service and arrangement fees.
- Retail Finance - principally comprises of account management fees received from customers and referral fees received from third parties.
- Vehicle Finance - primarily relates to vehicle collection and damage charges made to customers and loan administration fees charged to dealers in respect of the Stock Funding product.

Fee and commission accounting policy

Fees and commission income that is not considered an integral part of the EIR of a financial instrument are recognised under IFRS 15 when the Group satisfies performance obligations by transferring promised services to customers and presented in the income statement as fee and commission income. All of the Group's fees and commissions relate to performance obligations that are recognised at a point in time.

Fees and commission income and expenses that are an integral part of the EIR of a financial instrument are included in the EIR and presented in the income statement as interest income or expense.

No significant judgements are made in evaluating when a customer obtains control of promised goods or services.

5. Fair value and other gains on financial instruments

	2024	2023
	£million	£million
Fair value movement during the year - Interest rate derivatives	1.6	(6.1)
Fair value movement during the year - Hedged items	(1.5)	6.2
Hedge ineffectiveness recognised in the income statement	0.1	0.1
Inception and amortisation adjustment[1]	0.6	-
Gains/(losses) recognised on derivatives not in hedge relationships	0.5	(0.8)
Extinguishment gain on redemption of subordinated debt	-	1.2
	1.2	**0.5**

1. The inception and amortisation adjustment relates to amortisation of macro fair value hedge accounting relationships derecognised and the amortisation of the fair value adjustment of underlying hedged items at the time hedge accounting relationships commenced or were redesignated. Over the life of the hedged items these adjustments are expected to off-set gains/losses on derivatives taken for hedging purposes before and after they are designated in hedge relationships.

The extinguishment gain on redemption of subordinated debt relates to the redemption during 2023 at a discount to par of the £50 million 6.75% Fixed Rate Reset Callable Subordinated Notes due in 2028.

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. For further information on the Group's risk management strategy for market risk see the Group's Strategic Report in the 2024 Annual Report and Accounts.

Hedge accounting is employed by the Group to minimise the accounting volatility associated with the change in fair value of derivative financial instruments. This volatility does not reflect the economic reality of the Group's hedging strategy, the Group only uses derivatives for the hedging of risks.

5.1. Fair value gain recognised in other comprehensive income

	2024	2023
	£million	£million
Cash flow hedges		

Cash flow hedges

Fair value movement in year - Interest rate derivatives	(0.8)	-
Interest reclassified to the income statement during the year	1.3	0.6
Fair value gain recognised in other comprehensive income	**0.5**	**0.6**

Although the Group uses interest rate derivatives exclusively to hedge interest rate risk exposures, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is not achievable. Where such volatility arises, it will net to zero over the life of the hedging relationship. All derivatives held by the Group have been highly effective in the year, resulting in minimal hedge accounting ineffectiveness recognised in the income statement. Future ineffectiveness may arise as a result of:

- differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience; or
- differences in the timing of cash flows for the hedged item and the hedging instrument.

How fair value and cash flow hedge accounting affect the consolidated financial statements and the main sources of the residual hedge ineffectiveness remaining in the income statement are set out below. Further information on the current derivative portfolio and the allocation to hedge accounting types is included in Note 17.

Derivative financial instruments accounting policy

The Group enters into derivatives to manage exposures to fluctuations in interest rates. Derivatives are not used for speculative purposes. Derivatives are carried at fair value, with movements in fair value recognised in the income statement or other comprehensive income. Derivatives are valued by discounted cash flow models using yield curves based on Overnight Indexed Swap ('OIS') rates. All derivatives are carried as assets where fair value is positive and as liabilities when fair value is negative. Derivatives are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset. The Group does not hold contracts containing embedded derivatives.

Where cash collateral is received, to mitigate the risk inherent in the amounts due to the Group, it is included as a liability within the due to banks line within the statement of financial position. Where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, it is included as an asset in the loans and advances to banks line within the statement of financial position.

Hedge accounting

Following the implementation of IFRS 9, the Group elected to apply IAS 39 for all of its hedge accounting requirements. When transactions meet specified criteria the Group can apply two types of hedge accounting:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); and
- hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges).

The Group does not have hedges of net investments.

At inception of a hedge, the Group formally documents the relationship between the hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items (i.e. the fair value offset between the hedged item and hedging instrument is within the 80%-125% range).

When the European Union adopted IAS 39 in 2004, it removed certain hedge accounting requirements, commonly referred to as the EU carve-out. The relaxed requirements under the carve-out allow the Group to apply the 'bottom up' method when calculating macro-hedge ineffectiveness. This option is not allowed under full IFRS. The Group has applied the EU carve-out accordingly.

Fair value hedge accounting

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the hedged risk, thereby offsetting the effect of the related movement in the fair value of the derivative. Changes in the fair value of derivatives and hedged items that are designated and qualify as fair value hedges are recorded in the income statement.

In a one-to-one hedging relationship, in which a single derivative hedges a single hedged item, the carrying value of the underlying asset or liability (the hedged item) is adjusted for the hedged risk to offset the fair value movement of the related derivative. In the case of a portfolio hedge, an adjustment is included in the fair value adjustments for portfolio hedged risk line in the statement of financial position to offset the fair value movements in the related derivative. The Group currently only designates portfolio hedges.

If the hedge no longer meets the criteria for hedge accounting, expires or is terminated, the cumulative fair value adjustment to the carrying amount of a hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship and recorded as net interest income. If the underlying item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

Cash flow hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. Amounts portion of changes in the fair value of the derivative is recognised immediately in the income statement. Amounts recognised in the cash flow hedge reserve are subsequently reclassified to the income statement when the underlying asset or liability being hedged impacts the income statement, for example, when interest payments are recognised, and are recorded in the same income statement line in which the income or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects the income statement. When a forecast transaction is no longer expected to occur (for example, the recognised hedged item is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

6. Operating expenses

	2024	2023
	£million	£million
Employee costs, including those of Directors:		
Wages and salaries	52.5	49.5
Social security costs	5.7	5.6
Pension costs	2.0	1.8
Share-based payment transactions	2.3	1.1
Depreciation of property, plant and equipment (Note 19)	1.0	0.9
Depreciation of lease right-of-use assets (Note 20)	1.0	0.7
Amortisation of intangible assets (Note 21)	1.4	1.2
Operating lease rentals	0.8	0.7
Other administrative expenses	37.1	40.9
Total operating expenses	**103.8**	**102.4**
Of which:		
Continuing	**103.8**	**99.7**
Discontinued (Note 10)	-	**2.7**

Post-retirement obligations accounting policy

The Group contributes to defined contribution schemes for the benefit of certain employees. The schemes are funded through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. There are no post-retirement benefits other than pensions.

Remuneration of the Auditor and its associates, excluding VAT, was as follows:

	2024	2023
	£million	£million
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	1.3	1.0
Fees payable to the Company's Auditor for other services:		
Other assurance services	0.1	0.2
	1.4	**1.2**

Other assurance services related to the interim independent review report and profit certification (2023: interim independent review report, profit certification and a comfort letter in relation to the Tier 2 capital issuance).

7. Average number of employees

	2024	2023
	Number	Number
Directors	2	2
Other senior management	23	23
Other employees	890	849

Other employees	[illegible]	[illegible]
	915	**874**

8. Exceptional items

	2024	2023
	£million	£million
Motor finance commissions		
Redress	5.2	-
Costs	1.7	-
	6.9	**-**
BiFD Vehicle Finance collections review		
Redress	0.2	2.0
Costs	1.3	2.7
	1.5	**4.7**
Organisational redesign	**1.5**	**-**
Corporate activity	**-**	**1.8**
Total exceptional items	**9.9**	**6.5**

Costs associated with these activities are outside the normal course of business and are treated as exceptional.

Motor finance commissions

During 2024, the Group recognised costs of £6.9 million (2023: £nil), of which £6.4 million was recognised as a provision. Further details about the provision can be found in Note 29.

Organisational redesign

During 2024, the Group undertook an organisational redesign where product-specific teams were amalgamated under a single management structure. In addition, there were changes within Finance and the Risk functions to ensure they were configured to support the business in the most effective way. As a consequence, the Group incurred redundancy costs of £1.5 million (2023: £nil).

Borrowers in Financial Difficulty ('BiFD') Vehicle Finance collections review

Following the Financial Conduct Authority's review of BiFD across the industry, and in response to the specific feedback we received on our own collection activities, in 2023, we engaged external support to assist us and, where necessary, enhanced our approach, which included offering a wider range of forbearance options to our customers. In 2023, we incurred or provided for costs of £4.7 million relating to processes, procedures and policies in our Vehicle Finance collections operations. In 2024, a further £1.5 million was incurred or provided.

Income tax on exceptional items

Income tax on exceptional items amount to £1.0 million credit (2023: £0.6 million credit).

Exceptional items accounting policy

Exceptional items are expenses that do not relate to the Group's core activities, which are material in the context of the Group's performance.

9. Income tax expense

	2024	2023
	£million	£million
Current taxation		
Corporation tax charge - current year	8.4	8.0
Corporation tax charge/(credit) - prior year adjustments	0.3	(0.1)
	8.7	7.9
Deferred taxation		
Deferred tax charge - current year	1.2	1.3
Deferred tax credit - prior year adjustments	(0.4)	(0.1)
	0.8	1.2
Income tax expense	**9.5**	**9.1**
Of which:		
Continuing	**9.5**	**9.7**

Continuing	**9.5**	9.7
Discontinued (Note 10)	**-**	(0.6)

Tax reconciliation		
Profit before tax	29.2	33.4
Tax at 25.00% (2023: 23.50%)	7.3	7.8
Permanent differences on exceptional items	1.5	0.9
Other permanent differences	0.1	0.3
Rate change on deferred tax assets	0.5	0.1
Other adjustments including prior year adjustments	0.1	-
Income tax expense for the year	**9.5**	**9.1**

The tax has been calculated at the current statutory rate, which is 25.0% for the year ended 31 December 2024 (2023: 23.5%). For the year ended 31 December 2023, the Corporation Tax rate increased from 19% to 25%, with effect from 1 April 2023. At the same time, the banking surcharge reduced from 8% to 3% and the surcharge allowance available to a banking group increased from £25 million to £100 million. These changes were enacted prior to the start of 2023, and so opening and closing deferred asset values were calculated from expected future tax relief based on these enacted rates.

Income tax accounting policy

Current income tax, which is payable on taxable profits, is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

10. Discontinued operations

The Group sold Debt Managers (Services) Limited's portfolio of loans during 2022. As the Group has exited this market, the results of the Debt Management business have been presented as discontinued operations.

Income statement	**2024 £million**	2023 £million
Operating expenses	-	(2.7)
Loss before income tax from discontinued operations	**-**	**(2.7)**
Income tax credit	-	0.6
Loss for the year from discontinued operations	**-**	**(2.1)**
Basic earnings per ordinary share - discontinued operations	**-**	**(11.2)**
Diluted earnings per ordinary share - discontinued operations	**-**	**(10.9)**

Operating expenses above relate to the costs of winding down the business.

Net cash flows	**2024 £million**	2023 £million
Operating	-	(2.7)
Net cash outflow	**-**	**(2.7)**

11. Earnings per ordinary share

11.1. Basic

Basic earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares as follows:

	2024	2023
Profit attributable to equity holders of the parent (£million)	19.7	24.3
Weighted average number of ordinary shares (number)	19,057,161	18,751,059
Earnings per share (pence)	**103.4**	**129.6**

11.2. Diluted

Diluted earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, as noted above, as well as the number of dilutive share options in issue during the year, as follows:

dilutive share options in issue during the year, as follows:

	2024	2023
Weighted average number of ordinary shares	19,057,161	18,751,059
Number of dilutive shares in issue at the year-end	363,751	515,782
Fully diluted weighted average number of ordinary shares	**19,420,912**	**19,266,841**
Dilutive shares being based on:		
Number of options outstanding at the year-end	1,395,045	1,210,544
Weighted average exercise price (pence)	215	225
Average share price during the year (pence)	525	719
Diluted earnings per share (pence)	**101.4**	**126.1**

12. Dividends

		2024	2023
	Paid	**£million**	£million
2024 interim dividend - 11.3 pence per share	Sep-24	2.1	-
2023 final dividend - 16.2 pence per share	May-24	3.1	-
2023 interim dividend - 16.0 pence per share	Sep-23	-	3.0
2022 final dividend - 29.1 pence per share	May-23	-	5.4
		5.2	**8.4**

The Directors recommend the payment of a final dividend of 22.5 pence per share (2023: 16.2 pence per share). The final dividend, if approved by members at the Annual General Meeting, will be paid on 22 May 2025, with an associated record date of 25 April 2025.

The EBT has waived its right to receive future dividends on shares held in the trust. Dividends waived on shares held in the EBT in 2024 were £0.1 million (2023: £nil).

Dividends accounting policy

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Interim dividends on ordinary shares are recognised in equity in the period in which they are paid.

13. Loans and advances to banks

Moody's long-term ratings are as follows:

	Group 2024	Group 2023	**Company 2024**	Company 2023
	£million	£million	**£million**	£million
Aaa-Aa3	-	4.8	-	4.8
A1	24.0	48.9	23.6	48.2
	24.0	**53.7**	**23.6**	**53.0**

None of the loans and advances to banks are either past due or impaired.

Loans and advances to banks includes £nil (2023: £5.0 million), which the Group and Company does not have access to.

Where the Group and Company does not have access to cash, it is excluded from cash and cash equivalents. See Note 35.1 for a reconciliation to cash and cash equivalents.

14. Loans and advances to customers

Group and Company

	2024	2023
	£million	£million
Gross loans and advances	3,720.3	3,403.4
Less: allowances for impairment of loans and advances (Note 16)	(111.8)	(88.1)
	3,608.5	**3,315.3**

The fair value of loans and advances to customers is shown in Note 41. Loans and advances to customers includes finance lease receivables of £548.4 million (2023: £450.3 million). See Note 15 for further details.

Retail Finance assets of £1,088.2 million (2023: £1,004.9 million) were pre-positioned under the Bank of England's liquidity support operations and Term Funding Scheme with additional incentives for SMEs and are available for use as collateral within the schemes.

The Real Estate Finance loan book of £1,341.4 million (2023: £1,243.8 million) is secured upon real estate, which had a loan-to-value of 56% at 31 December 2024 (2023: 57%).

Under its credit policy, the Real Estate Finance business lends to a maximum loan-to-value of:

- 70% for investment loans;
- 60% for residential development loans[1];
- 65% for certain residential higher leveraged development loans1, which is subject to an overall cap on such lending agreed by management according to risk appetite; and
- 65% for commercial development loans[1].

All property valuations at loan inception, and the majority of development stage valuations, are performed by independent Chartered Surveyors, who perform their work in accordance with the Royal Institution of Chartered Surveyors Valuation - Professional Standards.

Of cash collateral, £0.3 million has been received as at 31 December 2024 in respect of certain loans and advances (2023: £1.7 million).

The accounting policy for loans and advances to customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

1. Based on gross development value.

15. Finance lease receivables

Group and Company

Loans and advances to customers include finance lease receivables as follows:

	2024	2023
	£million	£million
Gross investment in finance lease receivables:		
- Not more than one year	228.1	186.2
- Later than one year but no later than five years	535.4	446.1
	763.5	632.3
Unearned future finance income on finance leases	(215.1)	(182.0)
Net investment in finance leases	**548.4**	**450.3**
The net investment in finance leases may be analysed as follows:		
- Not more than one year	135.3	113.3
- Later than one year but no later than five years	413.1	337.0
	548.4	**450.3**

Finance lease receivables include Vehicle Finance loans to consumers.

Lessor accounting policy

The present value of the lease payments on assets leased to customers under agreements that transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are 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 over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

16. Allowances for impairment of loans and advances

Group and Company

	Not credit-impaired		**Credit-impaired**			
	Stage 1: Subject to 12-month ECL	**Stage 2: Subject to lifetime ECL**	**Stage 3: Subject to lifetime ECL**	**Total provision**	**Gross loans and advances to customers**	**Provision coverage**
	£million	**£million**	**£million**	**£million**	**£million**	**%**
31 December 2024						
Consumer Finance:						
Retail Finance	13.5	6.5	10.1	30.1	1,387.9	2.2%

Retail Finance	13.5	6.5	10.1	30.1	1,387.9	2.2%
Vehicle Finance:						
Voluntary termination provision	5.4	1.5	-	6.9		
Other impairment	9.8	7.4	44.3	61.5		
	15.2	8.9	44.3	68.4	626.7	10.9%
Business Finance:						
Real Estate Finance	0.4	0.3	11.8	12.5	1,353.9	0.9%
Commercial Finance	0.5	0.2	0.1	0.8	351.8	0.2%
	29.6	**15.9**	**66.3**	**111.8**	**3,720.3**	**3.0%**

	Not credit-impaired		Credit-impaired			
	Stage 1: Subject to 12-month ECL	Stage 2: Subject to lifetime ECL	Stage 3: Subject to lifetime ECL	Total provision	Gross loans and advances to customers	Provision coverage
	£million	£million	£million	£million	£million	%
31 December 2023						
Consumer Finance:						
Retail Finance	12.0	11.8	8.3	32.1	1,255.3	2.6%
Vehicle Finance:						
Voluntary termination provision	6.7	-	-	6.7		
Other impairment	10.0	5.6	23.6	39.2		
	16.7	5.6	23.6	45.9	513.1	8.9%
Business Finance:						
Real Estate Finance	0.3	0.7	7.0	8.0	1,251.8	0.6%
Commercial Finance	0.5	0.1	1.5	2.1	383.2	0.5%
	29.5	**18.2**	**40.4**	**88.1**	**3,403.4**	**2.6%**

The impairment charge disclosed in the income statement can be analysed as follows:

	2024	2023
	£million	£million
Expected credit losses ('ECL'): impairment charge	61.9	37.3
Charge/(credit) for off-balance sheet loan commitments (Note 29)	0.1	(0.3)
Loans written-off directly to the income statement[1]	0.7	6.2
Unwind of discount	(0.8)	-
	61.9	**43.2**

1. The impairment charge for 2023 included a £7.2 million charge relating to a single long-running debt case, of which £6.3 million was written off directly to the income statement.

Total provisions above include expert credit judgements as follows:

	2024	2023
	£million	£million
Specific underlays held against credit-impaired secured assets held within the Business Finance portfolio	(0.7)	(1.0)
Management judgement in respect of:		
- Vehicle Finance LGD	(4.5)	(2.1)
Other	(0.5)	1.9
Expert credit judgements over the IFRS 9 model results	**(5.7)**	**(1.2)**

The specific underlays for Business Finance have been estimated on an individual basis by assessing the recoverability and condition of the secured asset, along with any other recoveries that may be made.

Reconciliations of the opening to closing allowance for impairment of loans and advances are presented below:

	Not credit-impaired		**Credit-impaired**	
	Stage 1: Subject to 12-month ECL	**Stage 2: Subject to lifetime ECL**	**Stage 3: Subject to lifetime ECL**	**Total**
	£million	**£million**	**£million**	**£million**
At 1 January 2024	29.5	18.2	40.4	88.1
(Decrease)/increase due to change in credit risk				
Transfer to Stage 2	(11.7)	38.6	(1.4)	25.5
Transfer to Stage 3	(0.2)	(24.1)	48.8	24.5
Transfer to Stage 1	7.8	(20.8)	-	(13.0)
Passage of time	(6.3)	4.6	14.8	13.1
New loans originated	16.2	-	-	16.2
Matured and derecognised loans	(2.1)	(1.6)	(0.5)	(4.2)
Changes to credit risk parameters	(2.3)	(0.5)	(2.9)	(5.7)
Other adjustments	4.0	1.5	-	5.5
Charge/(credit) to income statement	5.4	(2.3)	58.8	61.9
Allowance utilised in respect of write-offs	(5.3)	-	(32.9)	(38.2)
31 December 2024	**29.6**	**15.9**	**66.3**	**111.8**

	Not credit-impaired		**Credit-impaired**	
	Stage 1: Subject to 12-month ECL	Stage 2: Subject to lifetime ECL	Stage 3: Subject to lifetime ECL	Total
	£million	£million	£million	£million
At 1 January 2023	24.3	28.6	25.1	78.0
(Decrease)/increase due to change in credit risk				
Transfer to Stage 2	(10.4)	56.1	-	45.7
Transfer to Stage 3	(0.1)	(30.6)	41.9	11.2
Transfer to Stage 1	10.2	(35.3)	-	(25.1)
Passage of time	(9.1)	3.5	3.7	(1.9)
New loans originated	20.5	-	-	20.5
Matured and derecognised loans	(2.3)	(4.6)	(4.7)	(11.6)
Changes to credit risk parameters	(5.3)	0.5	0.3	(4.5)
Other adjustments	3.0	-	-	3.0
Charge/(credit) to income statement	6.5	(10.4)	41.2	37.3
Allowance utilised in respect of write-offs	(1.3)	-	(25.9)	(27.2)
31 December 2023	**29.5**	**18.2**	**40.4**	**88.1**

These tables have been prepared based on monthly movements in the ECL.

Passage of time represents the impact of accounts maturing through their contractual life, the associated reduction in PDs and the unwind of the discount applied in calculating the ECL.

Changes to credit risk parameters represent movements that have occurred due to the Group updating model inputs. This would include the impact of, for example, updating the macroeconomic scenarios applied to the models.

Other adjustments represents the movement in the Vehicle Finance voluntary termination provision.

Stage 1 write-offs arise on Vehicle Finance accounts where borrowers have exercised their right to voluntarily terminate their agreements.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£million	**£million**	**£million**	**£million**
Business Finance:				
Strong	29.6	-	-	29.6
Good	1,051.5	54.2	1.4	1,107.1
Satisfactory	298.6	141.5	25.8	465.9
Weak	-	20.1	83.0	103.1
	1,379.7	**215.8**	**110.2**	**1,705.7**

	2023			
	Stage 1	Stage 2	Stage 3	Total
	£million	£million	£million	£million
Business Finance:				
Strong	57.9	-	-	57.9
Good	1,087.8	4.5	-	1,092.3
Satisfactory	236.5	82.0	28.8	347.3
Weak	-	59.3	78.2	137.5
	1,382.2	**145.8**	**107.0**	**1,635.0**

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£million	**£million**	**£million**	**£million**
Consumer Finance:				
Good	921.6	4.9	-	926.5
Satisfactory	768.1	32.4	-	800.5
Weak	135.2	75.9	76.5	287.6
	1,824.9	**113.2**	**76.5**	**2,014.6**

	2023			
	Stage 1	Stage 2	Stage 3	Total
	£million	£million	£million	£million
Consumer Finance:				
Good	706.0	58.9	10.1	775.0
Satisfactory	596.5	54.4	18.4	669.3
Weak	266.8	38.7	18.6	324.1
	1,569.3	**152.0**	**47.1**	**1,768.4**

Internal credit risk rating is based on the most recent credit risk score of a customer.

Impairment of financial assets and loan commitments accounting policy

The Group recognises loss allowances for Expected Credit Losses ('ECL') on all financial assets carried at amortised cost, including lease receivables and loan commitments. Credit loss allowances on Stage 1 assets are measured as an amount equal to 12-month ECL and credit loss allowances on Stage 2, and Stage 3 assets are measured as an amount equal to lifetime ECL.

Stage 1 assets

Stage 1 assets comprise of the following.

- Financial assets determined to have low credit risk at the reporting date.
- Financial assets that have not experienced a significant increase in credit risk since their initial recognition.
- Financial assets that have experienced a significant increase in credit risk since their initial recognition, but have subsequently met the Group's cure policy, as set out below.

A low credit risk asset is considered to have low credit risk when its credit risk rating is equivalent to the widely understood definition of 'investment grade' assets. This is not applicable to loans and advances to customers, but the Group has assessed all its debt securities, which represents UK Treasury bills, to be low credit risk.

Stage 2 assets

Loans and advances to customers that have experienced a significant increase in credit risk since their initial recognition and have not subsequently met the Group's cure policy are classified as Stage 2 assets.

The Group's definitions of a significant increase in credit risk and default are set out below.

For Consumer Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset. The Group may also use its expert credit judgement, and where possible, relevant historical and current performance data, including bureau data, to determine that an exposure has undergone a significant increase in credit risk.

For Business Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk where certain early warning indicators apply. These indicators may include notification of county court judgements or, specifically for the Real Estate Finance portfolio, cost over-runs and timing delays experienced by borrowers.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for all portfolios.

Stage 3 assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired or defaulted (Stage 3). A financial asset is considered to be credit-impaired when an event or events that have a detrimental impact on estimated future cash flows have occurred, or have other specific unlikeliness to pay indicators. Evidence that a financial asset is credit-impaired includes the following observable data.

- Initiation of bankruptcy proceedings.
- Notification of bereavement.
- Identification of loan meeting debt sale criteria.
- Initiation of repossession proceedings.
- Customer on an Individual Voluntary Arrangement or Debt Management Plan.
- A material covenant breach that has remained unremedied for more than 90 days.

In addition, a loan that is 90 days or more past due is considered credit-impaired for all portfolios. The credit risk of financial assets that become credit-impaired will be monitored in-line with the curing policy.

For Commercial Finance facilities that do not have a fixed-term or repayment structure, evidence that a financial asset is credit-impaired includes:

- the client ceasing to trade; or
- unpaid debtor balances that are dated at least six months past their normal recourse period.

Cure policy

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 Group's cure policy. The Group's cure policy from stage 2 to stage 1 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due and such payments need to be maintained for six consecutive months in Vehicle Finance and three months in Retail Finance. In addition, an account can cure from stage 2 to stage 1 if the significant increase in credit risk since their initial recognition is not triggered anymore due to improvement in their credit quality (e.g. loan credit bureau score).

The Group's cure policy from stage 3 to 2 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due. For Vehicle Finance and Retail Finance such non-defaulted status need to be maintained for three consecutive months. For Real Estate Finance such payments need to be maintained for 12 consecutive months.

Calculation of expected credit loss ('ECL')

ECL are probability weighted estimates of credit losses that are measured as the present value of all cash shortfalls. Specifically, this is the difference between the contractual cash flows due and the cash flows expected to be received, discounted at the original effective interest rate. For undrawn loan commitments, ECL is measured as the difference between the contractual cash flows due if the commitment is drawn and the cash flows expected to be received.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial asset.

12-month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

ECL are calculated by multiplying three main components: the Probability of Default ('PD'), Exposure At Default ('EAD') and Loss Given Default ('LGD') discounted at the original effective interest rate of an asset. These variables are derived from internally developed statistical models and historical data, adjusted to reflect forward-looking information and are discussed in turn further below. Management adjustments are made to modelled output to account for situations, where known, or expected risk factors that have not been reflected in the modelled outcome.

Probability of Default ('PD') and credit risk grades

Credit risk grades are a primary input into the determination of the PD for exposures. The Group allocates each exposure to a credit risk grade at origination and at each reporting period to predict the risk of default. Credit risk grades are determined using qualitative and quantitative factors that are indicative of the risk of default e.g. arrears status and loan credit bureau score. 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. In monitoring exposures information, such as payment records and forecast changes in economic conditions are considered for Consumer Finance. Additionally, for Business Finance portfolios information obtained during periodic client reviews, for example, audited financial statements, management accounts, budgets and projections are considered, with particular focus on key ratios, compliance with covenants and changes in senior management teams.

Emergence curves modelling is used in the production of forward-looking lifetime PDs. This method defines the way that debt emerges for differing quality accounts and their time on the books creating a clean relationship to best demonstrate the movement in default rates as macroeconomic variables are changed. These models are extrapolated to provide PD estimates for the future, based on forecasted economic scenarios.

Exposure at Default ('EAD')

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.

For Commercial Finance facilities that have no specific term, an assumption is made that accounts close 36 months after the reporting date for the purposes of measuring lifetime ECL. This assumption is based on industry experience of average client life. These facilities do not have a fixed-term or repayment structure, but are revolving and increase or decrease to reflect the value of the collateral i.e. receivables or inventory. The Group can cancel the facilities with immediate effect, although this contractual right is not enforced in the normal day-to-day management of the facility. Typically, demand would only be made on the failure of a client business or in the event of a material event of default, such as a fraud. In the normal course of events, the Group's exposure is recovered through receipt of remittances from the client's debtors rather than from the client itself.

The ECL for such facilities is estimated taking into account the credit risk management actions that the Group expects to take to mitigate against losses. These include a reduction in advance rate and facility limits or application of reserves against a facility to improve the likelihood of full recovery of exposure from the debtors.

Alternative recovery routes mitigating ECL would include refinancing by another funding provider, taking security over other asset classes or secured personal guarantees from the client's principals.

Loss Given Default ('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 the auction sale of repossessed collateral and debt sale of the residual shortfall amount. For loans secured by real estate property, loan-to-value ratios are key parameters in determining LGD. LGDs are calculated on a discounted cash flow basis using the financial instrument's origination effective interest rate as the discount factor.

Incorporation of forward-looking data

The Group 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 ECLs for each scenario. To ensure material non-linear relationships between economic factors and credit losses are reflected in the calculation of ECL, a severe stress scenario is used as one of these scenarios. The outputs from each scenario are combined using the estimated likelihood of each scenario occurring to derive a probability weighted expected credit loss. The four scenarios adopted and probability weighting applied are set out below.

The Group considers that the key drivers of credit risk and credit losses included in the macroeconomic scenarios are annual unemployment rate growth, annual house price index growth, consumer price index ('CPI'), Bank of England Base Rate, and debt service ratio. Base case assumptions applied for each of these variables have been sourced from external consensus or Bank of England forecasts. Further details of the assumptions applied to other scenarios are presented below.

Expert credit judgements

The impairment charge comprises modelled ECLs and expert credit judgements. Where the ECL modelled output does not reflect the level of credit risk, judgement is used to calculate expert credit judgements, which are overlaid on to the output from the models.

Presentation of loss allowance

Loss allowances for ECLs and expert credit judgements are presented in the statement of financial position as follows with the loss recognised in the income statement:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Other loan commitments: generally, as a provision.

For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision.

When a loan is uncollectible, it is written off against the related ECL allowance. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined.

Vehicle Finance voluntary termination provision

In addition to recognising allowances for ECLs, the Group holds a provision for Voluntary Terminations ('VT') for all Vehicle Finance financial assets. VT is a legal right provided to customers who take out hire purchase agreements. The provision is calculated by multiplying the probability of VT of an asset by the expected shortfall on VT discounted back at the original effective interest rate of the asset. VT allowances are not held against loans in default (Stage 3 loans).

The VT provision is presented in the statement of financial position as a deduction from the gross carrying amount of Vehicle Finance assets with the loss recognised in the income statement.

Write off

Loans and advances to customers are written off partially or in full when the Group has exhausted all viable recovery options. The majority of write-offs arise from Debt Relief Orders, insolvencies, Individual Voluntary Arrangements, deceased customers where there is no estate and vulnerable customers in certain circumstances. Amounts subsequently recovered on assets previously written off are recognised in the impairment charge in the income statement.

Intercompany receivables

The parent company's expected credit loss on amounts due from related companies is calculated by applying probability of default and loss given default to the amount outstanding at the year-end. See Note 24 for further details.

16.1. Key sources of estimation uncertainty

Estimations that could have a material impact on the Group's financial results and are, therefore, considered to be key sources of estimation uncertainty all relate to the impairment charge on loans and advances to customers and are, therefore, set out below. The potential impact of the current macroeconomic environment has been considered in determining reasonably possible changes in key sources of estimation uncertainty that may occur in the next 12 months. The determination of both the PD and LGD require estimation, which is discussed further below.

16.1.1. Incorporation of forward-looking data

The Group 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 expected credit loss by developing a number of potential economic scenarios and modelling expected credit losses for each scenario. The macroeconomic scenarios used were provided by external economic advisers. The scenarios and weightings applied are summarised below:

December 2024		UK unemployment rate - Annual Average			
		2025	2026	2027	5-Yr Average
Scenario	Weightings	%	%	%	%
Upside	20%	4.0	3.6	3.6	3.7
Base	50%	4.4	4.3	4.2	4.2
Downside	25%	5.1	6.0	6.7	6.2
Severe	5%	5.5	6.7	7.4	6.8

		UK HPI - movement from December 2024			
		2025	2026	2027	5-Yr Average
Scenario	Weightings	%	%	%	%
Upside	20%	3.7	7.8	13.4	4.2
Base	50%	1.7	3.4	6.2	2.9
Downside	25%	(6.6)	(9.6)	(11.7)	(0.5)
Severe	5%	(12.3)	(18.9)	(24.7)	(3.4)

		UK CPI - movement from December 2024			
		2025	2026	2027	5-Yr Average

Scenario	Weightings	%	%	%	%
Upside	**20%**	**3.8**	**7.3**	**10.1**	**2.8**
Base	**50%**	**3.0**	**5.4**	**7.6**	**2.3**
Downside	**25%**	**1.9**	**2.9**	**4.6**	**1.7**
Severe	**5%**	**1.0**	**1.1**	**2.6**	**1.2**

December 2024 (continued)		**UK Base Rate - Annual Average**			
		2025	**2026**	**2027**	**5-Yr Average**
Scenario	**Weightings**	**%**	**%**	**%**	**%**
Upside	**20%**	**5.4**	**4.4**	**3.4**	**3.8**
Base	**50%**	**3.8**	**3.1**	**2.6**	**2.9**
Downside	**25%**	**3.0**	**1.8**	**1.8**	**2.0**
Severe	**5%**	**2.0**	**0.8**	**0.8**	**1.0**

		UK debt service ratio - Annual Average			
		2025	**2026**	**2027**	**5-Yr Average**
Scenario	**Weightings**	**%**	**%**	**%**	**%**
Upside	**20%**	**5.6**	**5.3**	**4.8**	**4.9**
Base	**50%**	**4.9**	**4.6**	**4.5**	**4.5**
Downside	**25%**	**4.6**	**4.3**	**4.5**	**4.3**
Severe	**5%**	**4.6**	**3.6**	**3.8**	**3.8**

December 2023		UK unemployment rate - Annual Average			
		2024	2025	2026	5-Yr Average
Scenario	Weightings	%	%	%	%
Upside	20%	4.2	3.9	3.8	3.9
Base	50%	4.5	4.4	4.1	4.1
Downside	25%	5.4	6.5	7.1	6.5
Severe	5%	5.7	7.0	7.6	7.0

		UK HPI - movement from December 2023			
		2024	2025	2026	5-Yr Average
Scenario	Weightings	%	%	%	%
Upside	20%	(0.7)	2.4	9.4	3.7
Base	50%	(4.3)	(3.3)	0.9	2.1
Downside	25%	(10.4)	(13.8)	(14.3)	(0.9)
Severe	5%	(15.1)	(21.8)	(26.0)	(3.5)

		UK CPI - movement from December 2023			
		2024	2025	2026	5-Yr Average
Scenario	Weightings	%	%	%	%
Upside	20%	4.0	6.8	8.9	2.5
Base	50%	3.2	4.9	6.6	2.0
Downside	25%	2.0	2.2	3.5	1.4
Severe	5%	1.0	0.6	1.8	1.0

UK Bank of England Base Rate and debt service ratio were implemented into the ECL allowance modelling during the year ended 31 December 2024 and, therefore, do not have comparatives for the year ended 31 December 2023.

The sensitivity of the ECL allowance to reasonably possible changes in scenario weighting (an increase in downside case weighting from the upside case and an increase in severe stress case weighting from the base case) has been assessed by the Group and computed as not material.

The Group recognised a total impairment charge of £61.9 million (2023: £43.2 million). Were each of the scenarios to be applied at 100%, rather than using the weightings set out above, the increase/(decrease) in ECL provisions would be as follows:

	2024			
Scenario	**Vehicle Finance £million**	**Retail Finance £million**	**Business Finance £million**	**Total Group £million**
Upside	**(0.6)**	**(0.3)**	**(1.3)**	**(2.2)**
Base	**(0.2)**	**(0.1)**	**(0.8)**	**(1.1)**
Downside	**0.6**	**0.4**	**1.8**	**2.8**
Severe	**1.2**	**0.8**	**4.1**	**6.1**

	2023			
Scenario	Vehicle Finance £million	Retail Finance £million	Business Finance £million	Total Group £million
Upside	(0.4)	(1.2)	(0.3)	(1.9)
Base	(0.2)	(0.5)	(0.2)	(0.9)
Downside	0.5	1.5	0.4	2.4
Severe	0.6	2.2	1.1	3.9

16.1.2. ECL modelled output: Estimation of PDs

Sensitivity to reasonably possible changes in PD could potentially result in material changes in the ECL allowance for Vehicle Finance and Retail Finance.

A 15% change in the PD for Vehicle Finance would immediately impact the ECL allowance by £4.0 million (2023: a 15% change impacted the ECL allowance by £2.5 million).

A 15% change in the PD for Retail Finance would immediately impact the ECL allowance by £3.4 million (2023: a 15% change impacted the ECL allowance by £4.4 million).

The above sensitivities reflect the levels of defaults observed during the year.

Due to the relatively low levels of provisions on the Business Finance books, sensitivity to reasonably possible changes in PD are not considered material.

16.1.3. ECL modelled output: Vehicle Finance recovery rates

With the exception of the Vehicle Finance portfolio, the sensitivity of the ECL allowance to reasonably possible changes in the LGD is not considered material. The Vehicle Finance portfolio is particularly sensitive to changes in LGD due to the range of outcomes that could crystallise, depending on whether the Group is able to recover the vehicle as security. For the Vehicle Finance portfolio, a 20% (2023: 20%) change in the recovery rate assumption in the LGD is considered reasonably possible due to delays in the vehicle collection process. A 20% (2023: 20%) reduction in the vehicle recovery rate assumption element of the LGD for Vehicle Finance would increase the ECL by £1.7 million (2023: £0.9 million). There has been no change in the vehicle recovery rate assumption in the ECL model in either the current or prior year.

16.1.4. Climate-risk impact

The Group considers the impact of climate-related risks on the financial statements on an annual basis, in particular, climate change negatively impacting the value of the Group's Real Estate Finance business' security due to the increased risk of flooding associated with climate change.

While the effects of climate change represent a source of uncertainty (in respect of potential transitional risks, such as those that may arise from changes in future government policy), the impact of all of the climate change risks is considered to be low. Accordingly, the Group does not consider there to be a material impact on its judgements and estimates from the physical, transitional and other climate-related risks in the short term.

17. Derivative financial instruments

Group and Company

Interest rate derivatives are held for risk mitigation purposes. The table below provides an analysis of the notional amount and fair value of derivatives by hedge accounting relationship. The amount of ineffectiveness recognised for each hedge type is shown in Note 5. Notional amount is the amount on which payment flows are derived and does not represent amounts at risk.

	Notional 2024 £million	**Assets 2024 £million**	**Liabilities 2024 £million**	Notional 2023 £million	Assets 2023 £million	Liabilities 2023 £million

Interest rate derivatives designated in fair value hedges						
In less than one year	965.5	3.1	(2.5)	783.7	6.9	(3.0)
More than one year but less than three years	941.4	10.1	(3.9)	859.4	13.2	(9.0)
More than three years but less than five years	432.9	1.1	(3.3)	494.0	5.3	(9.3)
	2,339.8	**14.3**	**(9.7)**	**2,137.1**	**25.4**	**(21.3)**
Interest rate derivatives designated in cash flow hedges						
In less than one year	9.4	-	(0.1)	4.7	-	(0.2)
More than one year but less than three years	2.4	-	-	9.4	-	(0.4)
More than three years but less than five years	-	-	-	2.4	0.1	-
	11.8	-	**(0.1)**	**16.5**	**0.1**	**(0.6)**
Interest rate derivatives - not hedged[1]						
In less than one year	15.0	-	-	-	-	-
More than one year but less than three years	42.5	-	-	-	-	-
	57.5	**-**	**-**	**-**	**-**	**-**
Foreign exchange derivatives						
In less than one year	25.7	-	(0.2)	28.0	-	(0.1)
	2,434.8	**14.3**	**(10.0)**	**2,181.6**	**25.5**	**(22.0)**

1. Derivatives not in hedge relationships at the end of the reporting period are will either enter a hedge relationship in the following month, or be in the final month of maturity.

In order to manage interest rate risk arising from fixed-rate financial instruments, the Group monitors its interest rate mismatch regularly throughout each month, seeking to 'match' assets and liabilities in the first instance and hedging residual risk using interest rate derivatives to maintain adherence to risk appetites. Some residual risk remains due to timing differences. The exposure from the portfolio frequently changes due to the origination of new instruments, contractual repayments and early prepayments made in each period. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as 'macro' or 'portfolio' hedge) to hedge its exposure profile by closing and entering into new interest rate derivative agreements. The Group establishes the hedging ratio by matching the derivatives with the principal of the portfolio being hedged.

The following table sets out details of the hedged exposures covered by the Group's hedging strategies:

	Carry amount of hedged item asset/(liability) 2024 £million	**Accumulated amount of fair value adjustments in the hedged items (liability)/asset 2024 £million**	Carry amount of hedged item asset/(liability) 2023 £million	Accumulated amount of fair value adjustments in the hedged items (liability)/asset 2023 £million
ASSETS				
Interest rate fair value hedges				
Loans and advances to customers				
Fixed-rate Real Estate Finance loans	519.6	(5.2)	565.5	(3.5)
Fixed-rate Consumer Finance loans	723.4	(1.6)	523.5	(0.4)
	1,243.0	(6.8)	1,089.0	(3.9)
Interest rate cash flow hedges				
Cash and Bank of England reserve account				
Bank of England reserve	11.8	N/A	16.5	N/A
	1,254.8	**(6.8)**	**1,105.5**	**(3.9)**
LIABILITIES				
Interest rate fair value hedges				

Deposits from customers				
Fixed-rate customer deposits	(1,006.5)	3.1	(957.6)	3.6
Subordinated liabilities				
Fixed-rate Tier 2 regulatory capital	(90.0)	0.3	(90.0)	(2.2)
	(1,096.5)	**3.4**	**(1,047.6)**	**1.4**

The following table shows the impact of financial assets and financial liabilities relating to transactions where:

- there is an enforceable master netting agreement in place, but the offset criteria are not otherwise satisfied; and
- financial collateral is paid and received.

	Gross amount reported on balance sheet	**Master netting arrangements**	**Financial collateral**	**Net amounts after offsetting**
	£million	**£million**	**£million**	**£million**
31 December 2024				
Derivative financial assets				
Interest rate derivatives	14.3	(9.8)	(4.1)	0.4
	14.3	**(9.8)**	**(4.1)**	**0.4**
Derivative financial liabilities				
Interest rate derivatives	(9.8)	9.8	-	-
Foreign exchange derivatives	(0.2)	-	-	(0.2)
	(10.0)	**9.8**	-	**(0.2)**

	Gross amount reported on balance sheet	Master netting arrangements	Financial collateral	Net amounts after offsetting
	£million	£million	£million	£million
31 December 2023				
Derivative financial assets				
Interest rate derivatives	25.5	(21.9)	(3.5)	0.1
	25.5	**(21.9)**	**(3.5)**	**0.1**
Derivative financial liabilities				
Interest rate derivatives	(21.9)	21.9	-	-
Foreign exchange derivatives	(0.1)	-	0.2	0.1
	(22.0)	**21.9**	**0.2**	**0.1**

Master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because the arrangement creates an agreement for a right of set-off of recognised amounts, which is enforceable only following an event of default, insolvency or bankruptcy of the Group or counterparties. Furthermore, the Group and its counterparties do not intend to settle on a net basis or realise the assets and settle the liabilities simultaneously.

Financial collateral consists of cash settled, typically daily or weekly, to mitigate the credit risk on the fair value of derivatives.

18. Investment property

	Company
	£million
1 January 2023	1.0
Revaluation	(0.1)
At 31 December 2023	**0.9**
Revaluation	-
At 31 December 2024	**0.9**

The Company's investment property comprises 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ, which is occupied by one of the Company's subsidiaries.

occupied by one of the Company's subsidiaries.

The Company's investment property was stated at fair value as at 31 December 2024, based on external valuations performed by professionally qualified valuers Knight Frank LLP. These valuations have been undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuations Standards, and the RICS UK National Supplement. The valuations were carried out using the comparative and investment methods, and were arrived at by reference to market evidence of the transaction prices paid for similar properties, together with evidence of demand within the vicinity of the subject properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. Knight Frank LLP were paid a fixed fee for the valuations. Knight Frank LLP also undertakes some professional work in respect of the Group's Real Estate Finance business, although this is limited in relation to the activities of the Group as a whole.

Investment property accounting policy

Investment property, which is property held to earn rentals and for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. External valuations are performed on a triennial basis. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the property is derecognised.

19. Property, plant and equipment

	Group			Company		
	Freehold land and buildings £million	**Computer and other equipment £million**	**Total £million**	**Freehold land and buildings £million**	**Computer and other equipment £million**	**Total £million**
Cost or valuation						
At 1 January 2023	10.1	6.9	17.0	3.8	6.2	10.0
Additions	-	2.2	2.2	-	2.1	2.1
Disposals	-	(1.4)	(1.4)	-	(1.2)	(1.2)
At 31 December 2023	**10.1**	**7.7**	**17.8**	**3.8**	**7.1**	**10.9**
Additions	-	0.5	0.5	-	0.3	0.3
Impairment	(0.4)	-	(0.4)	-	-	-
At 31 December 2024	**9.7**	**8.2**	**17.9**	**3.8**	**7.4**	**11.2**
Accumulated depreciation						
At 1 January 2023	(2.4)	(4.9)	(7.3)	(0.1)	(5.0)	(5.1)
Depreciation charge	(0.1)	(0.8)	(0.9)	(0.1)	(0.5)	(0.6)
Disposals	-	1.2	1.2	-	1.1	1.1
At 31 December 2023	**(2.5)**	**(4.5)**	**(7.0)**	**(0.2)**	**(4.4)**	**(4.6)**
Depreciation charge	(0.2)	(0.8)	(1.0)	(0.1)	(0.5)	(0.6)
At 31 December 2024	**(2.7)**	**(5.3)**	**(8.0)**	**(0.3)**	**(4.9)**	**(5.2)**
Net book amount						
At 31 December 2023	**7.6**	**3.2**	**10.8**	3.6	2.7	6.3
At 31 December 2024	**7.0**	**2.9**	**9.9**	**3.5**	**2.5**	**6.0**

The Group's freehold properties, which are occupied by the Group, comprise:

- the Registered Office of the Company;
- One Arleston Way, Solihull B90 4LH; and
- 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ.

One Arleston Way was subject to an impairment in the year, which was recognised within other (losses)/gains in the income statement.

The Company's freehold property comprises the Registered Office of the Company.

The carrying value of freehold land, which is included in the total carrying value of freehold land and buildings, and which is not depreciated at 31 December 2024 and 31 December 2023, was £1.5 million for the Group and £0.8 million for the Company.

Property, plant and equipment accounting policy

Property, plant and equipment is stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Pre-installed computer software licences are capitalised as part of the computer hardware it is installed on. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are subject to regular review:

Land	not depreciated
Freehold buildings	50 years
Leasehold improvements	shorter of life of lease or seven years
Computer equipment	three to five years
Other equipment	five to ten years

The above useful economic lives have not changed since the prior year.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

The Group applies IAS 36 to determine whether property, plant and equipment is impaired.

20. Right-of-use assets

	Group			Company		
	Leasehold property	Leased motor vehicles	Total	Leasehold property	Leased motor vehicles	Total
	£million	£million	£million	£million	£million	£million
Cost						
At 1 January 2023	3.1	0.6	3.7	3.1	0.2	3.3
Additions	0.8	0.2	1.0	0.8	0.1	0.9
At 31 December 2023	**3.9**	**0.8**	**4.7**	**3.9**	**0.3**	**4.2**
Additions	-	0.8	0.8	-	0.6	0.6
At 31 December 2024	**3.9**	**1.6**	**5.5**	**3.9**	**0.9**	**4.8**
Accumulated depreciation						
At 1 January 2023	(2.0)	(0.2)	(2.2)	(2.0)	-	(2.0)
Depreciation charge	(0.5)	(0.2)	(0.7)	(0.5)	(0.1)	(0.6)
At 31 December 2023	**(2.5)**	**(0.4)**	**(2.9)**	**(2.5)**	**(0.1)**	**(2.6)**
Depreciation charge	(0.5)	(0.5)	(1.0)	(0.5)	(0.3)	(0.8)
At 31 December 2024	**(3.0)**	**(0.9)**	**(3.9)**	**(3.0)**	**(0.4)**	**(3.4)**
Net book amount						
At 31 December 2023	**1.4**	**0.4**	**1.8**	**1.4**	**0.2**	**1.6**
At 31 December 2024	**0.9**	**0.7**	**1.6**	**0.9**	**0.5**	**1.4**

Lessee accounting policy

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made, and is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment charges and are depreciated over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Rentals made under operating leases for less than 12 months in duration, and operating leases on low-value items, are recognised in the income statement on a straight-line basis over the term of the lease.

21. Intangible assets

Group

	Goodwill £million	Computer software £million	Other intangible assets £million	Total £million
Cost or valuation				
At 1 January 2023	1.0	17.2	2.2	20.4
Additions	-	0.5	-	0.5
At 31 December 2023	**1.0**	**17.7**	**2.2**	**20.9**
Additions	-	0.5	-	0.5
Disposals	-	(0.1)	-	(0.1)
At 31 December 2024	**1.0**	**18.1**	**2.2**	**21.3**
Accumulated amortisation				
At 1 January 2023	-	(11.6)	(2.2)	(13.8)
Amortisation charge	-	(1.2)	-	(1.2)
At 31 December 2023	**-**	**(12.8)**	**(2.2)**	**(15.0)**
Amortisation charge	-	(1.4)	-	(1.4)
Disposals	-	0.1	-	0.1
At 31 December 2024	**-**	**(14.1)**	**(2.2)**	**(16.3)**
Net book amount				
At 31 December 2023	**1.0**	**4.9**	**-**	**5.9**
At 31 December 2024	**1.0**	**4.0**	**-**	**5.0**

Goodwill above relates to the V12 cash-generating unit, which is part of the Retail Finance operating segment.

The recoverable amount of these cash-generating units are determined on a value-in-use calculation, which uses cash flow projections based on financial forecasts covering a three-year period, and a discount rate of 8% (2023: 8%). Cash flow projections during the forecast period are based on the expected rate of new business. A zero growth-based scenario is also considered. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Hence no impairment has been recognised.

Other intangible assets were recognised as part of the V12 Finance Group acquisition, which are now fully amortised.

Company

Company

	Goodwill £million	Computer software £million	Total £million
Cost or valuation			
At 1 January 2023	0.3	12.5	12.8
Additions	-	0.1	0.1
At 31 December 2023	**0.3**	**12.6**	**12.9**
Additions	-	0.5	0.5
At 31 December 2024	**0.3**	**13.1**	**13.4**
Accumulated amortisation			
At 1 January 2023	-	(8.4)	(8.4)
Amortisation charge	-	(1.0)	(1.0)
At 31 December 2023	**-**	**(9.4)**	**(9.4)**
Amortisation charge	-	(1.1)	(1.1)
At 31 December 2024	**-**	**(10.5)**	**(10.5)**
Net book amount			
At 31 December 2023	**0.3**	**3.2**	**3.5**
At 31 December 2024	**0.3**	**2.6**	**2.9**

Goodwill above relates to the Retail Finance operating segment. The recoverable amount is determined on the same basis as for the Group.

Intangible assets accounting policy

(a) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is held at cost less accumulated impairment charge and is deemed to have an infinite life.

The Group reviews the goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. An impairment charge is recognised in the income statement if the carrying amount exceeds the recoverable amounts.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred unless the technical feasibility of the development has been demonstrated, and it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, in which case they are capitalised.

These costs are amortised on a straight-line basis over their expected useful lives, which are between three to 10 years.

(c) Other intangible assets

The acquisition of subsidiaries has been accounted for in accordance with IFRS 3 'Business Combinations', which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values. As part of this process,
it was necessary to recognise certain intangible assets that are separately identifiable and are not included on the acquiree's balance sheet, which are amortised over their expected useful lives, as set out above.

The Group applies IAS 36 to determine whether an intangible asset is impaired.

22. Investments in Group undertakings

Company

Cost and net book value	2024 £million	2023 £million
At 1 January	5.9	5.7
Equity contributions to subsidiaries in respect of share options	0.2	0.2

At 31 December		**6.1**	**5.9**

Shares in subsidiary undertakings of Secure Trust Bank PLC are stated at cost less any provision for impairment. All subsidiary undertakings are unlisted and none are banking institutions. The share capital of the subsidiary undertakings comprises solely of ordinary shares and all are 100% owned by the Company. The subsidiary undertakings were all incorporated in the UK and wholly owned via ordinary shares. All subsidiary undertakings are included in the consolidated financial statements and have an accounting reference date of 31 December.

Details are as follows:

	Company number	**Principal activity**
Owned directly		
AppToPay Ltd	11204449	Non-trading
Debt Managers (Services) Limited	08092808	Debt management
Secure Homes Services Limited	01404439	Property rental
STB Leasing Limited	01648384	Non-trading
V12 Finance Group Limited	07498951	Holding company
Owned indirectly via an intermediate holding company		
V12 Personal Finance Limited	05418233	Dormant
V12 Retail Finance Limited	04585692	Sourcing and servicing of unsecured loans

The registered office of the Company, and all subsidiary undertakings, is Yorke House, Arleston Way, Solihull B90 4LH.

AppToPay Ltd, Debt Managers (Services) Limited, Secure Homes Services Limited, STB Leasing Limited, V12 Finance Group Limited and V12 Personal Finance Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A, and the Company has given guarantees accordingly under s479C in respect of the year ended 31 December 2024.

23. Deferred taxation

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Deferred tax assets:				
Other short-term timing differences	3.3	4.3	3.3	4.3
At 31 December	**3.3**	**4.3**	**3.3**	**4.3**
Deferred tax assets:				
At 1 January	4.3	5.6	4.3	5.3
Income statement	(0.8)	(1.2)	(0.8)	(0.9)
Other comprehensive income	(0.2)	(0.1)	(0.2)	(0.1)
At 31 December	**3.3**	**4.3**	**3.3**	**4.3**

Deferred tax accounting policy

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, when they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised where it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

24. Other assets

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Gross amounts due from related companies	-	-	4.2	4.8
Less: allowances for impairment of amounts due from				

related companies	-	-	(1.9)	(2.1)
Amounts due from related companies	-	-	2.3	2.7
Other receivables	2.0	2.4	1.7	2.3
Cloud software development prepayment	3.6	4.4	3.6	4.4
Other prepayments and accrued income	6.1	6.1	5.4	5.0
	11.7	**12.9**	**13.0**	**14.4**

Cloud software development costs, principally relating to the Group's Motor Transformation Programme, do not meet the intangible asset recognition criteria and are, therefore, classified as a prepayment, which is expensed to the income statement over the useful economic life of the software.

25. Due to banks

Group and Company

	2024	2023
	£million	£million
Amounts due under the Bank of England's liquidity support operations		
Term Funding Scheme with additional incentives for SMEs ('TFSME')	230.0	390.0
Index Long-Term Repos ('ILTR')	125.0	-
Amounts due to other credit institutions	6.9	6.8
TFSME accrued interest	3.2	5.2
ILTR accrued interest	0.7	-
	365.8	**402.0**

Amounts due under TFSME bear interest at the Bank of England base rate and are due for repayment during 2025.

The accounting policy for amounts due to banks is included in Note 1.4 Financial assets and financial liabilities accounting policy.

26. Deposits from customers

Group and Company

	2024	2023
	£million	£million
Access accounts	805.2	521.3
Fixed term bonds	1,510.0	1,546.6
Notice accounts	72.4	174.3
ISAs	857.3	629.6
	3,244.9	**2,871.8**

The accounting policy for deposits from customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

27. Lease liabilities

	Group	Group	**Company**	Company
	2024	2023	**2024**	2023
	£million	£million	**£million**	£million
At 1 January	2.3	2.1	2.1	1.9
New leases	0.8	1.0	0.6	0.9
Lease termination	-	-	-	-
Payments	(1.4)	(0.9)	(1.2)	(0.8)
Interest expense	0.1	0.1	0.1	0.1
At 31 December	**1.8**	**2.3**	**1.6**	**2.1**
Lease liabilities - Gross				
- No later than one year	1.1	0.9	1.0	0.9
- Later than one year but no later than five years	0.8	1.5	0.7	1.3
	1.9	2.4	1.7	2.2

Less: Future finance expense	(0.1)	(0.1)	(0.1)	(0.1)
Lease liabilities - Net	**1.8**	**2.3**	**1.6**	**2.1**
Lease liabilities - Gross				
- No later than one year	1.1	0.9	0.9	0.9
- Later than one year but no later than five years	0.7	1.4	0.7	1.2
	1.8	**2.3**	**1.6**	**2.1**

The accounting policy for lease liabilities is included in Note 20 Lessee accounting policy.

28. Other liabilities

	Group 2024	Group 2023	**Company 2024**	Company 2023
	£million	£million	**£million**	£million
Other payables	23.1	25.9	21.1	23.7
Amounts due to related companies	-	-	12.5	10.5
Accruals and deferred income	9.4	11.8	7.5	10.5
	32.5	**37.7**	**41.1**	**44.7**

29. Provisions for liabilities and charges

Group

		Group	
	ECL allowance on loan commitments	**Other**	**Total**
	£million	**£million**	**£million**
Balance at 1 January 2023	1.1	1.4	2.5
(Credit)/charge to income statement	(0.3)	8.5	8.2
Utilised	-	(4.7)	(4.7)
Balance at 31 December 2023	**0.8**	**5.2**	**6.0**
Charge to income statement	0.1	9.8	9.9
Utilised	-	(4.6)	(4.6)
Balance at 31 December 2024	**0.9**	**10.4**	**11.3**

Company

		Company	
	ECL allowance on loan commitments	**Other**	**Total**
	£million	**£million**	**£million**
Balance at 1 January 2023	1.1	0.9	2.0
(Credit)/charge to income statement	(0.3)	7.2	6.9
Utilised	-	(3.3)	(3.3)
Balance at 31 December 2023	**0.8**	**4.8**	**5.6**
Charge to income statement	0.1	10.1	10.2
Utilised	-	(4.5)	(4.5)
Balance at 31 December 2024	**0.9**	**10.4**	**11.3**

ECL allowance on loan commitments

In accordance with the requirements of IFRS 9, the Group holds an ECL allowance against loans it has committed to lend, but have not yet been drawn. For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision. At 31 December 2024 and 31 December 2023, no provision was the gross drawn amount presented as a provision. At 31 December 2024 and 31 December 2023, no provision was held for losses in excess of drawn amounts.

Other

Other includes:

- provision for fraud, which relates to cases where the Group has reasonable evidence of suspected fraud, but further investigation is required before the cases can be dealt with appropriately;
- s75 Consumer Credit Act 1974 provision;
- provision for redundancy;
- costs and redress relating to the BiFD Vehicle Finance collections review (see Note 8 for further details and historical motor commissions, see below for further details); and
- costs and redress relating to further customer redress initiatives.

The Directors expect these provisions to be fully utilised within the next one to two years.

Provisions for liabilities and charges accounting policy

A provision is recognised where there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated.

29.1. Key sources of estimation uncertainty

In January 2024, the FCA launched a review of the historical use of discretionary commission arrangements ('DCAs') in the motor finance industry. The Vehicle Finance business sometimes operated these arrangements until June 2017, but stopped doing so well ahead of the FCA banning their use in January 2021. Only 4% (by value) of our historical motor commissions paid1 involved these arrangements. The FCA will update firms on its next steps after the Supreme Court decision (see below).

The October 2024, the Court of Appeal gave judgment in the cases of Hopcraft, Wrench and Johnson had wider implications for the legality of both fixed and DCA historical motor commissions. These cases are now being appealed to the Supreme Court and one or more could be overturned, partially upheld or fully upheld. Not all of the fact pattern of these cases is the same as how the Group has operated.

A key feature of the fact pattern in these cases was the linked sale by a dealer of the vehicle and the direct introduction of the finance by that same dealer. Commission payments to dealers make up only 20% of our historical motor commission payments[2], with the remainder involving brokers and various other introducers, independent of the vehicle dealer, and with different sales distribution arrangements and customer journeys. In the two relevant cases considered by the Court of Appeal we did not, unlike that lender in those cases, have a contractual right of first refusal to provide the lending. We consider that we complied with the applicable law and regulation at the time. Unless it is overturned, the Court of Appeal's judgment gives rise to a disconnect between law and regulation at the time. The FCA has been given permission to intervene in the Supreme Court appeal and we expect the FCA to submit that the law should appropriately take into account regulation and together they should be coherent.

These events could lead to redress being payable to customers and associated operational costs. Due to the uncertain outcomes (including the nature, extent and timing) of the FCA review, the Supreme Court appeal and related legal developments, we have undertaken scenario analysis using different assumptions, which have been probability weighted to estimate a potential exposure. As a result, the Group has recognised a provision of £6.4 million. This comprises potential goodwill/redress payments of £5.2 million, and £1.2 million of associated costs. As and when new information becomes available, our scenarios and assumptions will be revised and so the provision could be materially higher or lower.

This provision of £6.4 million has been recognised in addition to £0.5 million costs, totalling £6.9 million which are treated as exceptional items (see Note 8 for further information).

1. From February 2009 (when we began our Vehicle Finance business) to June 2017 (when we ceased DCAs).

2. From February 2009 (when we began our Vehicle Finance business) to October 2024 (until we restarted lending after a short pause after the Court of Appeal's judgment).

30. Subordinated liabilities

Group and Company

	2024	2023
	£million	£million
Notes at par value	90.0	90.0
Unamortised issue costs	(0.7)	(0.9)
Accrued interest	4.0	4.0
	93.3	**93.1**

The Fixed Rate Reset Callable Subordinated Notes due August 2033 are listed on the International Securities Market of the London Stock Exchange. This issuance is in line with the Group's funding strategy and supports the Group's stated medium-term growth ambitions.

- The notes are redeemable for cash at their principal amount on fixed dates

- The notes are redeemable for cash at their principal amount on fixed dates.
- The Company has a call option to redeem the notes early in the event of a 'tax event' or a 'capital disqualification event', which is at the full discretion of the Company.
- Interest payments are paid at six-monthly intervals and are mandatory.
- The notes give the holders' rights to the principal amount on the notes, plus any unpaid interest, on liquidation. Any such claims are subordinated to senior creditors, but rank pari passu with holders of other subordinated obligations and in priority to holders of share capital.

The above features provide the issuer with a contractual obligation to deliver cash or another financial asset to the holders, and, therefore, the notes are classified as financial liabilities.

Transaction costs that are directly attributable to the issue of the notes and are deducted from the financial liability and expensed to the income statement on an effective interest rate basis over the expected life of the notes.

The notes are treated as Tier 2 regulatory capital, which is used to support the continuing growth of the business taking into account increases in regulatory capital buffers. The issue of the notes is part of an ongoing programme to diversify and expand the capital base of the Group.

The Group paid interest of £11.7 million on subordinated liabilities during the period (2023: £6.7 million), which is included in net cash inflow/(outflow) from operating activities in the consolidated and company statement of cash flows.

The accounting policy for subordinated liabilities is included in Note 1.4 - Financial assets and financial liabilities accounting policy.

31. Contingent liabilities and commitments

31.1. Contingent liabilities

31.1.1. Laws and regulations

As a financial services business, the Group must comply with numerous laws and regulations that significantly affect the way it does business. Whilst the Group believes there are no material unidentified areas of failure to comply with these laws and regulations, there can be no guarantee that all issues have been identified.

31.2. Capital commitments

At 31 December 2024, the Group and Company had no capital commitments (2023: £nil).

31.3. Credit commitments

Group and Company

Commitments to extend credit to customers were as follows:

	2024	2023
	£million	£million
Consumer Finance		
Retail Finance	112.2	91.6
Vehicle Finance	1.2	1.3
Business Finance		
Real Estate Finance	39.5	58.9
Commercial Finance	110.3	149.5
	263.2	**301.3**

32. Share capital

	Number	**£million**
At 1 January 2023	18,691,434	7.5
Issued during 2023	326,361	0.1
At 31 December 2023	**19,017,795**	**7.6**
Issued during 2024	53,613	-
At 31 December 2024	**19,071,408**	**7.6**

Share capital comprises ordinary shares with a par value of 40 pence each.

Equity instruments accounting policy

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Any amounts received over nominal value are recorded in the share premium account, net of direct issuance costs. Costs associated with the listing of shares are expensed immediately.

33. Other reserves

	Group 2024	Group 2023	**Company 2024**	Company 2023
	£million	£million	**£million**	£million
Cash flow hedge reserve	-	(0.3)	-	(0.3)
Own shares	(2.2)	(1.4)	(2.2)	(1.4)
	(2.2)	**(1.7)**	**(2.2)**	**(1.7)**

33.1. Own shares

Employee Benefit Trust ('EBT')	**2024 Number**	**Nominal value 2024 £million**	2023 Number	Nominal value 2023 £million
At 1 January	216,472	0.1	37,501	-
Shares acquired	312,718	0.1	188,835	0.1
Shares disposed	(94,381)	-	(9,864)	-
At 31 December	**434,809**	**0.2**	**216,472**	**0.1**
Market value (£million)	**1.6**		**1.5**	
Accounting value (£million)	**2.2**		**1.4**	
Percentage of called up share capital	**2.3%**		**1.1%**	

These shares are held in trust for the benefit of employees, who will be exercising their options under the Group's share options schemes. The trustee's expenses are included in the operating expenses of the Group. The maximum number of shares held by the EBT during the year was 434,809 (2023: 226,336), which had a nominal value of £174,000 (2023: £91,000). Shares were disposed of during the year for consideration of £37,000 (2023: £4,000).

Own shares accounting policy

The EBT qualifies for 'look-through' accounting, under which the EBT is treated as, in substance, an extension of the sponsoring entity, which is Secure Trust Bank PLC. Own shares represent the shares of the parent Company, Secure Trust Bank PLC, that are held by the EBT. Own shares are recorded at cost and deducted from equity.

34. Share-based payments

At 31 December 2024 and 31 December 2023, the Group had four share-based payment schemes in operation:

- 2017 Long-Term Incentive Plan;
- 2017 Sharesave Plan;
- 2017 Deferred Bonus Plan; and
- 'Phantom' Share Option Scheme.

A summary of the movements in share options during the year is set out below:

	Outstanding at 1 January 2024	**Granted during the year**	**Forfeited lapsed and cancelled during the year**	**Exercised during the year**	**Outstanding at 31 December 2024**	**Vested and exercisable at 31 December 2024**	**Vesting**	**Weighted average remaining contractual life of options outstanding at 31 December 2024**	**Weighted average exercise price of options outstanding at 31 December 2024**	**Weigh avera exerc price opti outstand at Decem 2**
	Number	**Number**	**Number**	**Number**	**Number**	**Number**	**dates**	**Years**	**£**	
Equity settled										
2017 Long-Term Incentive Plan	718,098	423,111	(189,815)	(58,773)	**892,621**	10,922	2025-2029	**2.3**	**0.40**	C
2017 Sharesave Plan	403,913	143,596	(87,559)	(43,450)	**416,500**	-	2025-2027	**1.9**	**6.27**	5
2017 Deferred							2025-			

Bonus Plan	88,533	43,162	-	(45,771)	**85,924**	3,338	2027	**1.6**	**0.40**	[illegible]
	1,210,544	**609,869**	**(277,374)**	**(147,994)**	**1,395,045**	**14,260**		**2.1**	**2.14**	[illegible]
Weighted average exercise price	**2.25**	**1.95**	**2.28**	**1.84**	**2.15**	**0.40**				
Cash settled										
'Phantom' share option scheme	38,000	-	-	-	**38,000**	38,000	2019	-	**25.00**	[illegible]

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Expense incurred in relation to share-based payments	**2.3**	1.1	**2.3**	0.9

34.1. Long-Term Incentive Plan ('LTIP')

The LTIP was established on 3 May 2017. Two separate awards to a number of participants were made under this plan during the year, as set out below.

34.1.1. LTIP Restricted share award

During the year, 114,281 (2023: 63,975) options were awarded that were not subject to any performance conditions. The awards will vest three years from the date of grant. The original grant date valuation was determined using a Black-Scholes model for the return on average equity, earnings per share and risk management tranches (modified for probability of outturn), and a Monte Carlo model for the total shareholder return tranche. Measurement inputs and assumptions used for the grant date valuation were as follows:

	Awarded during 2024	Awarded during 2023
Share price at grant date	£6.90	£6.70
Exercise price	£0.40	£0.40
Expected dividend yield	5.10%	5.20%
Expected stock price volatility	36.72%	42.93%
Risk free interest rate	4.35%	3.44%
Average expected life (years)	3.00	3.00
Original grant date valuation	**£5.57**	**£5.37**

34.1.2. LTIP

During the year, 308,830 (2023: 217,307) options were awarded that are subject to four performance conditions. Details of the performance conditions can be found on page 104 of the 2024 Annual Report and Accounts.

The awards have a performance term of three years. The awards will vest on the date on which the Board determines that these conditions have been met.

The original grant date valuation was determined using a Black-Scholes model for the return on average equity, earnings per share and risk management tranches (modified for probability of outturn), and a Monte Carlo model for the total shareholder return tranche. Measurement inputs and assumptions used for the grant date valuation were as follows:

	Awarded during 2024 No holding period	**Awarded during 2024 Two year holding period**	Awarded during 2023 No holding period	Awarded during 2023 Two year holding period
Share price at grant date	£6.90	£6.90	£6.70	£6.70
Exercise price	£0.40	£0.40	£0.40	£0.40
Expected dividend yield	5.10%	5.10%	5.20%	5.20%
Expected stock price volatility	35.00%	35.00%	40.00%	40.00%
Risk free interest rate	4.51%	4.19%	3.49%	3.42%

Average expected life (years)	3.00	5.00	3.00	5.00
Original grant date valuation	**£4.40**	**£3.95**	**£2.98**	**£2.69**

34.2. Sharesave Plan

The Sharesave Plan was established on 3 May 2017. This plan allows all employees to save for three years, subject to a maximum monthly amount of £250 (2023: £250), with the option to buy shares in Secure Trust Bank PLC when the plan matures. Participants cannot change the amount that they have agreed to save each month, but they can suspend payments for up to twelve months. Participants can withdraw their savings at any time but, if they do this before the completion date, they lose the option to buy shares at the Option Price, and in most circumstances if participants cease to hold plan-related employment before the third anniversary of the grant date, then the options are also lost. The options ordinarily vest approximately three years after grant date and are exercisable for a period of six months following vesting.

The original grant date valuation was determined using a Black-Scholes model. Measurement inputs and assumptions used were as follows:

	Awarded during 2024	Awarded during 2023
Share price at grant date	£8.14	£6.30
Exercise price	£6.99	£5.43
Expected stock price volatility	37.22%	37.25%
Expected dividend yield	5.10%	5.20%
Risk free interest rate	3.75%	4.52%
Average expected life (years)	3.00	3.00
Original grant date valuation	**£2.07**	**£1.63**

34.3. Deferred Bonus Plan

The Deferred Bonus Plan was established on 3 May 2017. In 2024 and 2023, awards were granted to certain senior managers of the Group. The awards vest in three equal tranches after one, two and three years following deferral. Accordingly, the following awards remain outstanding under the plan, entitling the members of the scheme to purchase shares in the Company:

	Awards granted Vesting after one year Number	**Awards granted Vesting after two years Number**	**Awards granted Vesting after three years Number**	**Awards granted Total**
At 1 January 2023	12,779	17,119	19,909	49,807
Granted	13,315	13,315	13,323	39,953
Exercised	(401)	-	(826)	(1,227)
At 31 December 2023	**25,693**	**30,434**	**32,406**	**88,533**
Granted	14,385	14,385	14,392	43,162
Exercised	(23,295)	(16,179)	(6,297)	(45,771)
At 31 December 2024	**16,783**	**28,640**	**40,501**	**85,924**
Vested and exercisable	2,398	940	-	3,338

The original grant date valuation was determined using a Black-Scholes model. Measurement inputs and assumptions used were as follows:

	Granted in 2024	**Granted in 2024**	**Granted in 2024**
	Awards vesting after one year	**Awards vesting after two years**	**Awards vesting after three years**
Share price at grant date	£6.90	£6.90	£6.90
Exercise price	£0.40	£0.40	£0.40
Expected dividend yield	5.10%	5.10%	5.10%
Expected stock price volatility	32.51%	38.89%	36.72%
Risk free interest rate	4.78%	4.52%	4.35%
Average expected life (years)	1.00	2.00	3.00

Original grant date valuation	£6.18	£5.87	£5.57

	Granted in 2023 Awards vesting after one years	Granted in 2023 Awards vesting after two years	Granted in 2023 Awards vesting after three years
Share price at grant date	£6.70	£6.70	£6.70
Exercise price	£0.40	£0.40	£0.40
Expected dividend yield	5.20%	5.20%	5.20%
Expected stock price volatility	44.41%	38.77%	42.93%
Risk free interest rate	3.97%	3.40%	3.44%
Average expected life (years)	1.00	2.00	3.00
Original grant date valuation	**£5.98**	**£5.66**	**£5.37**

34.4. Cash settled share-based payments

On 16 March 2015, a four-year 'phantom' share option scheme was established in order to provide effective long-term incentive to senior management of the Group. Under the scheme, no actual shares would be issued by the Company, but those granted awards under the scheme would be entitled to a cash payment. The amount of the award is calculated by reference to the increase in the value of an ordinary share in the Company over an initial value set at £25 per ordinary share, being the price at which the shares resulting from the exercise of the first tranche of share options under the share option scheme were sold in the market in November 2014. The options vested during 2019 and are exercisable for a period of 10 years after grant date.

As at 31 December 2024, using any reasonable range of inputs and assumptions, the fair value of the 'phantom' options is £nil (2023: £nil). Accordingly, no liability was recognised in the consolidated financial statements at 31 December 2024 or 31 December 2023.

For each award granted during the year, expected volatility was determined by calculating the historical volatility of the Group's share price over the period equivalent to the expected term of the options being granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share-based compensation accounting policy

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). The amount is recognised in operating expenses in the income statement, with a corresponding increase in equity. Further details of the valuation methodology are set out above.

The fair value of cash settled share-based payments is recognised in operating expenses in the income statement with a corresponding increase in liabilities over the vesting period. The liability is remeasured at each reporting date and at the settlement date based on the fair value of the options granted, with a corresponding adjustment to operating expenses.

35. Cash flow statement

35.1. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition.

	Group 2024 £million	Group 2023 £million	**Company 2024 £million**	Company 2023 £million
Cash and Bank of England reserve account	445.0	351.6	445.0	351.6
Loans and advances to banks (Note 13)	24.0	53.7	23.6	53.0
Less:				
Cash ratio deposit	-	(4.8)	-	(4.8)
Collateral margin account	-	(0.2)	-	(0.2)
	-	(5.0)	-	(5.0)
Cash and cash equivalents	**469.0**	**400.3**	**468.6**	**399.6**

The Group and Company has no access to the cash ratio deposit or the collateral margin accounts, so these amounts do not meet the definition of cash and cash equivalents, and accordingly, they are excluded from cash and cash equivalents.

35.2. Changes in liabilities arising from financing activities

All changes in liabilities arising from financing activities arise from changes in cash flows, apart from £0.1 million (2023: £0.1 million) of lease liabilities interest expense, as shown in Note 27, and £0.2 million (2023: £0.2 million) amortisation of issue costs on subordinated liabilities, as shown in Note 30.

Cash and cash equivalents accounting policy

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and cash equivalents, being highly liquid investments, which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including certain loans and advances to banks and short-term highly liquid debt securities.

36. Financial risk management strategy

By their nature, the Group's activities are principally related to the use of financial instruments. The Directors and senior management of the Group have formally adopted a Group risk appetite statement that sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures, such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

A more detailed description of the risk governance structure is contained, above, in the Principal risks and uncertainties section.

Included within the principal financial risks inherent in the Group's business are credit risk (Note 37), market risk (Note 38), liquidity risk (Note 39), and capital risk (Note 40).

37. Credit risk

The Company and Group take on exposure to credit risk, which is the risk that a counterparty will be unable to satisfy their debt servicing commitments when due. Counterparties include the consumers to whom the Group lends on a secured and unsecured basis and Small and Medium size Enterprises ('SMEs') to whom the Group primarily lends on a secured basis, as well as the market counterparties with whom the Group deals.

Impairment provisions are provided for expected credit losses at the statement of financial position date. Significant changes in the economy could result in losses that are different from those provided for at the statement of financial position date. Management, therefore, carefully manages the Group's exposures to credit risk as it considers this to be the most significant risk to the business. Disclosures relating to collateral on loans and advances to customers are disclosed in Note 14.

The Board monitors the ratings of the counterparties in relation to the Group's loans and advances to banks. Disclosures of these at the year-end are contained in Note 13. There is no direct exposure to the Eurozone and peripheral Eurozone countries.

See Principal risks and uncertainties section, above, for further details on the mitigation and change during the year of credit risk.

Group and Company

With the exception of loans and advances to customers, the carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk for loans and advances to customers by portfolio and IFRS 9 stage without taking account of any collateral held or other credit enhancements attached was as follows:

	Stage 1	Stage 2			Stage 3	Total gross loans and advances to customers
		<= 30 days past due	> 30 days past due	Total		
	£million	£million	£million	£million	£million	£million
31 December 2024						
Consumer Finance						
Retail Finance	1,324.1	48.1	4.1	52.2	11.6	1,387.9
Vehicle Finance	500.7	40.0	21.0	61.0	65.0	626.7
Business Finance						
Real Estate Finance	1,046.9	209.0	0.1	209.1	97.9	1,353.9
Commercial Finance	332.9	6.7	-	6.7	12.2	351.8

Total drawn exposure	**3,204.6**	**303.8**	**25.2**	**329.0**	**186.7**	**3,720.3**
Off balance sheet						
Loan commitments	262.4	0.8	-	0.8	-	263.2
Total gross exposure	**3,467.0**	**304.6**	**25.2**	**329.8**	**186.7**	**3,983.5**
Less:						
Impairment allowance	(29.6)	(8.6)	(7.3)	(15.9)	(66.3)	(111.8)
Provision for loan commitments	(0.9)	-	-	-	-	(0.9)
Total net exposure	**3,436.5**	**296.0**	**17.9**	**313.9**	**120.4**	**3,870.8**

Of collateral in the form of property, £110.1 million (2023: £117.8 million) has been pledged as security for Real Estate Finance Stage 3 balances of £86.1 million (2023: £84.0 million). Of collateral in the form of vehicles, £37.4 million (2023: £21.0 million) has been pledged as security for Vehicle Finance Stage 3 balances of £20.7 million (2023: £14.7 million).

	Stage 1	Stage 2			Stage 3	Total gross loans and advances to customers
		<= 30 days past due	> 30 days past due	Total	Total	
	£million	£million	£million	£million	£million	£million
31 December 2023						
Consumer Finance						
Retail Finance	1,149.2	92.9	4.4	97.3	8.8	1,255.3
Vehicle Finance	420.1	34.3	20.4	54.7	38.3	513.1
Business Finance						
Real Estate Finance	1,024.9	134.4	1.5	135.9	91.0	1,251.8
Commercial Finance	357.3	9.9	-	9.9	16.0	383.2
Total drawn exposure	**2,951.5**	**271.5**	**26.3**	**297.8**	**154.1**	**3,403.4**
Off balance sheet						
Loan commitments	299.1	2.2	-	2.2	-	301.3
Total gross exposure	**3,250.6**	**273.7**	**26.3**	**300.0**	**154.1**	**3,704.7**
Less:						
Impairment allowance	(29.5)	(10.5)	(7.7)	(18.2)	(40.4)	(88.1)
Provision for loan commitments	(0.8)	-	-	-	-	(0.8)
Total net exposure	**3,220.3**	**263.2**	**18.6**	**281.8**	**113.7**	**3,615.8**

A reconciliation of opening to closing allowance for impairment of loans and advances to customers is presented in Note 16.

Company

In addition to the above, counterparties to the Company include subsidiary undertakings. For the ECL on amounts due from related companies, see Note 24.

37.1. Concentration risk

Management assesses the potential concentration risk from geographic, product and individual loan concentration. Due to the nature of the Group's lending operations, the Directors consider the lending operations of the Group as a whole to be well diversified. Details of the Group's loans and advances to customers and loan commitments by product is provided in Notes 3 and 31, respectively.

Geographical concentration

The Group's Real Estate Finance loan book is secured against UK property only. The geographical concentration of these business loans and advances to customers, by location of the security, is as follows:

Group and Company

	2024	2023
	£million	£million
Central England	113.2	99.5
Greater London	691.5	709.5
Northern England	124.8	89.2
South East England (excl. Greater London)	273.5	233.3
South West England	54.4	40.7
Scotland, Wales and Northern Ireland	96.5	79.6
Gross loans and receivables	1,353.9	1,251.8
Allowance for impairment	(12.5)	(8.0)
Total	**1,341.4**	**1,243.8**

37.2. Forbearance

Consumer Finance

Throughout the year, the Group did not routinely reschedule contractual arrangements where customers default on their repayments. In cases where it offered the customer the option to reduce or defer payments for a short period, in line with our responsibilities from a conduct perspective, the loans retained the normal contractual payment due dates and were treated the same as any other defaulting cases for impairment purposes. Arrears tracking would continue on the account, with any impairment charge being based on the original contractual due dates for all products.

All forbearance arrangements are formally discussed and agreed with the customer in accordance with regulatory guidance on the support of customers. By offering customers in financial difficulty the option of forbearance, the Group potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment. All forbearance arrangements are reviewed and monitored regularly to assess the ongoing potential risk, suitability and sustainability to the Group. As at the year end, the Consumer Finance business approximately had the following cases (by volume) in forbearance:

- Retail Finance 0.14% (2023: 0.15%); and
- Vehicle Finance: 0.59% (2023: 0.11%).

In respect of Vehicle Finance, where forbearance measures are not possible or are considered not to be in the customer's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security and taking possession of the vehicle in order to sell it and clear the outstanding debt. Where the sale of the vehicle does not cover all of the remaining loan, normal credit collection procedures may be carried out in order to recover the outstanding debt, or the debt may be sold to a third party debt recovery agent, or in certain circumstances, the debt may be written off.

Real Estate Finance

Where clients provided evidence of payment difficulties, they were supported by the provision of extensions to loan maturity dates. A small number of clients, who experienced difficulties in meeting their financial commitments, were offered concessions (facility restructures or amendments) that Real Estate Finance would not have provided under normal circumstances. As at 31 December 2024, 4.9% of accounts were classed as forborne (2023: 9.6%). Where forbearance measures are not possible, or are considered not to be in the client's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security.

38. Market risk

The Group's market risk is primarily linked to interest rate risk. Interest rate risk refers to the exposure of the Group's financial position to adverse movements in interest rates.

When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Group's assets, liabilities and off-balance sheet instruments, and hence, its economic value. Changes in interest rates also affect the Group's earnings by altering interest-sensitive income and expenses, affecting its net interest income.

The principal currency in which the Group operates is Sterling, although a small number of transactions are completed in US dollars, Euros and other currencies in the Commercial Finance business. The Group has no significant exposures to foreign currencies and hedges any residual currency risks to Sterling. The Group does not operate a trading book.

See Principal risks and uncertainties section, above, for further details on the mitigation and change during the year of market risk.

Interest rate risk

Group and Company

The Group seeks to 'match' interest rate risk between its assets and liabilities in the first instance and hedges any material residual risks using interest rate derivatives in accordance with the Group's risk appetite.

material residual risks using interest rate derivatives in accordance with the Group's risk appetite.

The Group monitors its exposure to interest rate risk on at least a weekly basis, using market value sensitivity and earnings at risk, which were as follows at 31 December:

	2024	2023
	£million	£million
Market value sensitivity		
+200bp parallel shift in yield curve	1.5	2.5
-200bp parallel shift in yield curve	(1.6)	(2.7)
Earnings at risk sensitivity		
+100bp parallel shift in yield curve	1.5	1.2
-100bp parallel shift in yield curve	(1.5)	(1.2)

The Directors consider that 200bps in the case of market value sensitivity and 100bps in the case of earnings at risk are a reasonable approximation of possible changes.

39. Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is unable to meet its obligations as they fall due or can only do so at excessive cost. The Group maintains adequate liquidity resources and a prudent, stable funding profile at all times to cover liabilities as they fall due in normal and stressed conditions.

The Group manages its liquidity in line with internal and regulatory requirements, and at least annually assesses the robustness of the liquidity requirements as part of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP').

See Principal risks and uncertainties section, above, for further details on the mitigation and change during the year of liquidity and funding risk.

The tables below analyse the contractual undiscounted cash flows for financial liabilities into relevant maturity groupings:

	Carrying amount	**Gross nominal outflow**	**Not more than three months**	**More than three months but less than one year**	**More than one year but less than five years**	**More than five years**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**
At 31 December 2024						
Due to banks	365.8	374.1	52.6	321.5	-	-
Deposits from customers	3,244.9	3,336.5	2,058.0	674.8	601.0	2.7
Subordinated liabilities	93.3	136.8	-	11.7	125.1	-
Lease liabilities	1.8	1.9	0.3	0.8	0.8	-
Other financial liabilities	23.1	23.1	23.1	-	-	-
	3,728.9	**3,872.4**	**2,134.0**	**1,008.8**	**726.9**	**2.7**
Derivative financial liabilities	10.0	10.2	2.0	3.4	4.8	-
	3,738.9	**3,882.6**	**2,136.0**	**1,012.2**	**731.7**	**2.7**

	Carrying amount	Gross nominal outflow	Not more than three months	More than three months but less than one year	More than one year but less than five years	More than five years
	£million	£million	£million	£million	£million	£million
At 31 December 2023						
Due to banks	402.0	435.9	12.1	15.4	408.4	-
Deposits from customers	2,871.8	2,949.5	1,532.0	806.7	608.9	1.9
Subordinated liabilities	93.1	148.5	5.9	5.9	136.7	-
Lease liabilities	2.3	2.4	0.2	0.7	1.5	-
Other financial liabilities	25.9	25.9	25.9	-	-	-
	3,395.1	3,562.2	1,576.1	828.7	1,155.5	1.9

	3,395.1	**3,562.2**	**1,576.1**	**828.7**	**1,155.5**	**1.9**
Derivative financial liabilities	22.0	23.4	2.8	5.6	15.0	-
	3,417.1	**3,585.6**	**1,578.9**	**834.3**	**1,170.5**	**1.9**

Company

The contractual undiscounted cash flows for financial liabilities of the Company are the same as above except for the following:

	Carrying amount	**Gross nominal outflow**	**Not more than three months**	**More than three months but less than one year**	**More than one year but less than five years**	**More than five years**
	£million	**£million**	**£million**	**£million**	**£million**	**£million**
At 31 December 2024						
Lease liabilities	1.6	1.7	0.3	0.7	0.7	-
Other financial liabilities	33.6	33.6	33.6	-	-	-
Non-derivative financial liabilities	**3,739.2**	**3,882.7**	**2,144.5**	**1,008.7**	**726.8**	**2.7**
Total	**3,749.2**	**3,892.9**	**2,146.5**	**1,012.1**	**731.6**	**2.7**

	Carrying amount	Gross nominal outflow	Not more than three months	More than three months but less than one year	More than one year but less than five years	More than five years
	£million	£million	£million	£million	£million	£million
At 31 December 2023						
Lease liabilities	2.1	2.1	0.2	0.7	1.2	-
Other financial liabilities	34.2	34.2	34.2	-	-	-
Non-derivative financial liabilities	**3,403.2**	**3,570.2**	**1,584.4**	**828.7**	**1,155.2**	**1.9**
Total	**3,425.2**	**3,593.6**	**1,587.2**	**834.3**	**1,170.2**	**1.9**

40. Capital risk (unaudited)

Capital risk is the risk that the Group will have insufficient capital resources to absorb potential losses. The Group adopts a conservative approach to managing its capital and at least annually assesses the robustness of the capital requirements as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP'). The Group has Tier 1 and Tier 2 capital resources, noting the regulatory adjustments required in the table, below.

The following table, which is unaudited and, therefore, not in scope of the Independent Auditor's Report, shows the regulatory capital resources for the Group.

	2024	2023
	£million	£million
	(unaudited)	(unaudited)
Common Equity Tier 1 ('CET 1')		
Share capital	7.6	7.6
Share premium	84.0	83.8
Retained earnings	271.1	254.8
Own shares	(2.2)	(1.4)
IFRS 9 transition adjustment (See below for further details)	0.1	2.1
Goodwill	(1.0)	(1.0)
Intangible assets net of attributable deferred tax	(4.0)	(4.9)
CET 1 capital before foreseeable dividend	**355.6**	**341.0**
Foreseeable dividend	(4.2)	(3.1)
CET 1 and Tier 1 capital	**351.4**	**337.9**
Tier 2		

Subordinated liabilities	89.3	89.1
Less ineligible portion	(25.0)	(29.4)
Total Tier 2 capital[1]	**64.3**	**59.7**
Own funds	**415.7**	**397.6**
Reconciliation to total equity:		
IFRS 9 transition adjustment	(0.1)	(2.1)
Eligible subordinated liabilities	(64.3)	(59.7)
Cash flow hedge reserve	-	(0.3)
Goodwill and other intangible assets net of attributable deferred tax	5.0	5.9
Foreseeable dividend	4.2	3.1
Total equity	**360.5**	**344.5**

1. Tier 2 capital comprises solely subordinated debt, excluding accrued interest, capped at 25% of the Pillar 1 and 2A requirements as set by the PRA.

The Group has elected to adopt the IFRS 9 transitional rules. In 2024, this allowed for 25% (2023: 50%) of increases from 1 January 2020 in provisions on non-defaulted accounts net of attributable deferred tax, to be added back to eligible capital. This relief ends on 1 January 2025.

The Group's regulatory capital is divided into:

- CET 1 capital which comprises shareholders' funds (excluding employee benefit trust own shares)

  after adding back the IFRS 9 transition adjustment and deducting qualifying intangible assets and prudent valuation adjustments. IFRS 9 transition adjustment and intangible assets are both net of attributable deferred tax; and
- Tier 2 capital which is solely subordinated debt net of unamortised issue costs capped at 25% of the capital requirement.

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group's on and off balance sheet exposures. The weightings applied are those stipulated in the UK Capital Requirements Regulation.

Further information on capital is included within our Pillar 3 disclosures, which can be found on the Group's website (www.securetrustbank.com/pillar3). See Principal risks and uncertainties section, above, for further details on the mitigation and change during the year of capital risk.

The Group is subject to capital requirements imposed by the PRA on all financial services firms. During the year, the Group complied with these requirements.

41. Classification of financial assets and liabilities

Group

	Total carrying amount £million 2024	**Fair value £million 2024**	**Fair value hierarchy level 2024**	Total carrying amount £million 2023	Fair value £million 2023	Fair value hierarchy level 2023
Cash and Bank of England reserve account	445.0	445.0	Level 1	351.6	351.6	Level 1
Loans and advances to banks	24.0	24.0	Level 2	53.7	53.7	Level 2
Loans and advances to customers	3,608.5	3,612.3	Level 3	3,315.3	3,279.7	Level 3
Derivative financial instruments	14.3	14.3	Level 2	25.5	25.5	Level 2
Other financial assets	2.0	2.0	Level 3	2.4	2.4	Level 3
	4,093.8	**4,097.6**		**3,748.5**	**3,712.9**	
Due to banks	365.8	365.8	Level 2	402.0	402.0	Level 2
Deposits from customers	3,244.9	3,254.0	Level 3	2,871.8	2,850.1	Level 3
Derivative financial instruments	10.0	10.0	Level 2	22.0	22.0	Level 2
Lease liabilities	1.8	1.8	Level 3	2.3	2.3	Level 3
Other financial liabilities	23.1	23.1	Level 3	25.9	25.9	Level 3

Subordinated liabilities	93.3	90.2	Level 2	93.1	94.8	Level 3
	3,738.9	**3,744.9**		**3,417.1**	**3,397.1**	

All financial assets and liabilities at 31 December 2024 and 31 December 2023 were carried at amortised cost, except for derivative financial instruments that are at fair value through profit and loss. Therefore, for these assets and liabilities, the fair value hierarchy noted above relates to the disclosure in this note only.

Company

	Total carrying amount £million 2024	**Fair value £million 2024**	**Fair value hierarchy level 2024**	Total carrying amount £million 2023	Fair value £million 2023	Fair value hierarchy level 2023
At 31 December 2024						
Cash and Bank of England reserve account	445.0	445.0	Level 1	351.6	351.6	Level 1
Loans and advances to banks	23.6	23.6	Level 2	53.0	53.0	Level 2
Loans and advances to customers	3,608.5	3,612.3	Level 3	3,315.3	3,279.7	Level 3
Derivative financial instruments	14.3	14.3	Level 2	25.5	25.5	Level 2
Other financial assets	4.0	4.0	Level 3	5.0	5.0	Level 3
	4,095.4	**4,099.2**		**3,750.4**	**3,714.8**	
Due to banks	365.8	365.8	Level 2	402.0	402.0	Level 2
Deposits from customers	3,244.9	3,254.0	Level 3	2,871.8	2,850.1	Level 3
Derivative financial instruments	10.0	10.0	Level 2	22.0	22.0	Level 2
Lease liabilities	1.6	1.6	Level 3	2.1	2.1	Level 3
Other financial liabilities	33.6	33.6	Level 3	34.2	34.2	Level 3
Subordinated liabilities	93.3	90.2	Level 2	93.1	94.8	Level 3
	3,749.2	**3,755.2**		**3,425.2**	**3,405.2**	

All financial assets and liabilities at 31 December 2024 and 31 December 2023 were carried at amortised cost except for derivative financial instruments that are valued at fair value through profit and loss. Therefore, for these assets, the fair value hierarchy noted above relates to the disclosure in this note only.

Fair value classification

The tables above include the fair values and fair value hierarchies of the Group and Company's financial assets and liabilities. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Loans and advances to customers and Deposits from customers

The fair value of the financial assets and liabilities is calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was a market rate of interest at the balance sheet date. For loans and advances to customers, the same assumptions regarding the risk of default were applied as those used to derive the carrying value.

Derivative financial instruments

The fair value of derivative financial instruments is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the SONIA forward curve at the balance sheet date.

Subordinated liabilities

The fair value of subordinated liabilities is calculated based on quoted market prices where available, or where an active market quote is not available, it is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the UK government five year bond plus the initial spread on the instruments.

For all remaining financial assets and liabilities, the fair value of financial assets and liabilities is calculated to be equivalent to their carrying value due to their short maturity dates.

42. Related party transactions

Related parties of the Company and Group include subsidiaries, key management personnel, close family members of key management personnel and entities that are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members.

No transactions greater than £0.1 million were entered into with key management personnel or their close family members during the current or prior year.

The Company undertook the following transactions with other companies in the Secure Trust Bank Group:

	2024	2023
	£million	£million
Interest income and similar income	(30.3)	(28.8)
Operating expenses	(0.4)	(0.4)
Allowances for impairment of amounts due from related companies	0.2	(2.1)
Investment income	9.5	10.2
	(21.0)	**(21.1)**
Equity contribution to subsidiaries re. share-based payments	**0.2**	**0.2**

The loans and advances with, and amounts receivable and payable to, related companies are noted below:

	Company 2024	Company 2023
	£million	£million
Amounts receivable from subsidiary undertakings	2.3	2.7
Amounts due to subsidiary undertakings	(12.5)	(10.5)
	(10.2)	**(7.8)**

All amounts above are repayable on demand and the Company charged interest at a variable rate on amounts outstanding.

Directors' remuneration

The Directors' emoluments (including pension contributions and benefits in kind) for the year are disclosed in the Directors' Remuneration Report in the 2024 Annual Report and Accounts.

At the year-end the ordinary shares held by the Directors, holdings of share options, as well as details of those share options exercised during the year are disclosed in the Directors' Remuneration Report.

43. Immediate parent company and ultimate controlling party

The Company has no immediate parent company or ultimate controlling party.

44. Country-by-Country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of CRD V. The requirements aim to give increased transparency regarding the activities of institutions. The Country-by-Country information is set out below:

	Name	**Nature of activity**	**Location**	**Turnover £million**	**Average number of FTE employees**	**Profit before tax £million**	**Tax paid on profit £million**
31 December 2024	Secure Trust Bank PLC	Banking services	UK	385.2	915	29.2	8.8
31 December 2023	Secure Trust Bank PLC	Banking services	UK	321.3	874	33.4	8.6

45. Post balance sheet events

There have been no significant events between 31 December 2024 and the date of approval of these financial statements, which would require a change to or additional disclosure in the financial statements.

Five-year summary (unaudited)

	2024	2023	2022	2021	2020
	£million	£million	£million	£million	£million
Profit for the year					

Profit for the year

Continuing operations					
Interest and similar income	366.0	304.0	203.0	163.9	173.1
Interest expense and similar charges	(181.1)	(136.5)	(50.4)	(27.7)	(39.4)
Net interest income	**184.9**	**167.5**	**152.6**	**136.2**	**133.7**
Net fee and commission income	19.0	17.2	17.0	12.7	10.8
Operating income	**203.9**	**184.7**	**169.6**	**148.9**	**144.5**
Net impairment charge on loans and advances to customers	(61.9)	(43.2)	(38.2)	(5.0)	(41.4)
Other (losses)/gains	(0.3)	0.3	1.1	1.5	(3.1)
Fair value and other gains/(losses) on financial instruments	1.2	0.5	(0.3)	(0.1)	-
Operating expenses	(103.8)	(99.7)	(93.2)	(89.4)	(81.8)
Profit before income tax before exceptional items	**39.1**	**42.6**	**39.0**	**55.9**	**18.2**
Exceptional items	(9.9)	(6.5)	-	-	-
Profit before income tax	**29.2**	**36.1**	**39.0**	**55.9**	**18.2**
Discontinued operations					
(Loss)/profit before income tax	-	(2.7)	5.0	0.1	0.9
Total profit before income tax	**29.2**	**33.4**	**44.0**	**56.0**	**19.1**

	Continuing	Continuing	Continuing	Continuing	Continuing
	2024	2023	2022	2021	2020
	£million	£million	£million	£million	£million
Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)					
Basic earnings per ordinary share	103.4	140.8	158.5	244.1	82.7

	2024	2023	2022	2021	2020
	£million	£million	£million	£million	£million
Financial position					
Cash and Bank of England reserve account	445.0	351.6	370.1	234.0	181.5
Loans and advances to banks	24.0	53.7	50.5	52.0	63.3
Debt securities	-	-	-	25.0	-
Loans and advances to customers	3,608.5	3,315.3	2,919.5	2,530.6	2,358.9
Fair value adjustment for portfolio hedged risk	(6.8)	(3.9)	(32.0)	(3.5)	5.7
Derivative financial instruments	14.3	25.5	34.9	3.8	4.8
Other assets	31.7	35.8	36.6	44.0	47.0
Total assets	**4,116.7**	**3,778.0**	**3,379.6**	**2,885.9**	**2,661.2**
Due to banks	365.8	402.0	400.5	390.8	276.4
Deposits from customers	3,244.9	2,871.8	2,514.6	2,103.2	1,992.5
Fair value adjustment for portfolio hedged risk	(3.4)	(1.4)	(23.0)	(5.3)	4.7
Derivative financial instruments	10.0	22.0	26.7	6.2	6.1
Subordinated liabilities	93.3	93.1	51.1	50.9	50.8
Other liabilities	45.6	46.0	83.5	37.7	63.1
Total shareholders' equity	360.5	344.5	326.2	302.4	267.6
Total liabilities and shareholders' equity	**4,116.7**	**3,778.0**	**3,379.6**	**2,885.9**	**2,661.2**

Appendix to the Annual Report (unaudited)

Key performance indicators and other alternative performance measures

All key performance indicators are based on continuing operations and continuing loans and advances to customers, unless otherwise stated.

(i) Continuing loans and advances to customers

A reconciliation of total loans and advances to customers to continuing operations loans and advances to customers is set out below:

	2024	2023	2022	2021	2020	2019
	£million	£million	£million	£million	£million	£million
Loans and advances to customers	3,608.5	3,315.3	2,919.5	2,530.6	2,358.9	2,450.1
Assets held for sale - loan portfolios	-	-	-	1.3	-	-
Total loans and advances to customers	3,608.5	3,315.3	2,919.5	2,531.9	2,358.9	2,450.1
Less discontinued loans and advances to customers:						
Asset Finance (sold during 2021)	-	-	-	-	(10.4)	(27.7)
DMS (sold during 2022)	-	-	-	(79.6)	(81.8)	(82.4)
Consumer Mortgages (sold during 2021)	-	-	-	-	(77.7)	(105.9)
Other	-	-	-	(1.3)	(4.1)	(7.6)
Total discontinued operations loans and advances to customers	-	-	-	(80.9)	(174.0)	(223.6)
Continuing loans and advances to customers	**3,608.5**	**3,315.3**	**2,919.5**	**2,451.0**	**2,184.9**	**2,226.5**

(ii) Net interest margin, net revenue margin and risk adjusted margin ratios

Net interest margin is calculated as net interest income for the financial year as a percentage of the average loan book. Risk adjusted margin is calculated as risk adjusted income for the financial year as a percentage of the average loan book. Net revenue margin is calculated as operating income for the financial year as a percentage of the average loan book. The calculation of the average loan book is the average of the monthly balance of loans and advances to customers, net of provisions, over 13 months:

	2024	2023	2022	2021	2020
Group	**£million**	£million	£million	£million	£million
Net interest income	184.9	167.5	152.6	136.2	133.7
Net fee and commission income	19.0	17.2	17.0	12.7	10.8
Operating income	203.9	184.7	169.6	148.9	144.5
Opening loan book	3,315.3	2,919.5	2,451.0	2,184.9	2,226.5
Closing loan book	3,608.5	3,315.3	2,919.5	2,451.0	2,184.9
Average loan book	3,413.9	3,099.4	2,699.3	2,240.5	2,197.8
Net revenue margin	**6.0%**	**6.0%**	**6.3%**	**6.6%**	**6.6%**
Net interest margin	**5.4%**	**5.4%**	**5.7%**	**6.1%**	**6.1%**

	2024	2023	2022	2021	2020
Retail Finance	**£million**	£million	£million	£million	£million
Net interest income	86.8	73.1	61.2	56.1	57.7
Average loan book	1,285.9	1,143.4	898.8	692.9	663.4
Net interest margin	**6.8%**	**6.4%**	**6.8%**	**8.1%**	**8.7%**
Net interest income	86.8	73.1	61.2	56.1	57.7
Net fee and commission income	3.2	3.2	3.6	2.6	2.1
Net impairment charge on loans and advances to customers	(13.3)	(15.9)	(14.8)	(5.0)	(14.5)
Other (losses)/gains: gains/(losses) on modification of financial assets	-	-	0.2	0.4	(0.6)
Risk adjusted income	76.7	60.4	50.2	54.1	44.7
Risk adjusted margin	**6.0%**	**5.3%**	**5.6%**	**7.8%**	**6.7%**

Risk adjusted margin	**6.0%**	**5.5%**	**5.6%**	**7.8%**	**6.7%**

Vehicle Finance	**2024 £million**	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	47.6	44.1	38.9	32.2	37.5
Average loan book	505.4	429.6	325.1	245.8	292.1
Net interest margin	**9.4%**	**10.3%**	**12.0%**	**13.1%**	**12.8%**
Net interest income	47.6	44.1	38.9	32.2	37.5
Net fee and commission income	0.8	1.8	1.4	1.1	0.6
Net impairment charge on loans and advances to customers	(38.7)	(14.8)	(21.3)	(0.1)	(20.7)
Other (losses)/gains: gains/(losses) on modification of financial assets	0.1	0.3	0.9	1.1	(2.5)
Risk adjusted income	9.8	31.4	19.9	34.3	14.9
Risk adjusted margin	**1.9%**	**7.3%**	**6.1%**	**14.0%**	**5.1%**

Real Estate Finance	**2024 £million**	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	32.6	29.7	29.7	31.5	30.4
Net fee and commission income	0.4	0.9	0.2	0.3	-
Operating income	33.0	30.6	29.9	31.8	30.4
Net impairment charge on loans and advances to customers	(4.0)	(4.5)	(1.3)	(0.1)	(5.2)
Risk adjusted income	29.0	26.1	28.6	31.7	25.2
Average loan book	1,269.5	1,177.7	1,114.9	1,045.3	1,020.4
Net revenue margin	**2.6%**	**2.6%**	**2.7%**	**3.0%**	**3.0%**
Risk adjusted margin	**2.3%**	**2.2%**	**2.6%**	**3.0%**	**2.5%**

Commercial Finance	**2024 £million**	2023 £million	2022 £million	2021 £million	2020 £million
Net interest income	12.2	13.2	11.4	6.5	4.4
Net fee and commission income	14.5	11.3	11.6	8.4	7.7
Operating income	26.7	24.5	23.0	14.9	12.1
Net impairment (charge)/credit on loans and advances to customers	(5.9)	(8.0)	(0.8)	0.2	(1.1)
Risk adjusted income	20.8	16.5	22.2	15.1	11.0
Average loan book	353.0	348.8	360.7	259.6	221.9
Net revenue margin	**7.6%**	**7.0%**	**6.4%**	**5.7%**	**5.5%**
Risk adjusted margin	**5.9%**	**4.7%**	**6.2%**	**5.8%**	**5.0%**

These ratios show the net return on our lending assets, with and without adjusting for cost of risk.

(iii) Return on average equity

Total return on average equity is calculated as the total profit after tax for the previous 12 months as a percentage of average equity. Adjusted return on average equity is calculated as the adjusted profit after tax for the previous 12 months as a percentage of average equity. Average equity is calculated as the average of the monthly equity balances.

	2024 £million	2023 £million	2022 £million	2021 £million	2020 £million
Total profit after tax	19.7	24.3	33.7	45.6	15.4
Less:					
Loss/(profit) for the year from discontinued operations	-	2.1	(4.1)	N/A	N/A

Exceptional items after tax	8.9	5.9	-	-	-
Adjusted profit after tax	28.6	32.3	29.6	N/A	N/A
Opening equity	344.5	326.4	302.2	267.6	252.0
Closing equity	360.5	344.5	326.4	302.2	267.6
Average equity	355.3	334.9	313.4	287.0	261.1
Total return on average equity	**5.5%**	**7.3%**	**10.8%**	**15.9%**	**5.9%**
Adjusted return on average equity	**8.0%**	**9.6%**	**9.4%**	**N/A**	**N/A**

Return on average equity is a measure of the Group's ability to generate profit from the equity available to it.

(iv) Cost to income ratio

Statutory cost to income is calculated as total operating expenses for the financial year as a percentage of operating income for the financial year. Adjusted cost to income is calculated as adjusted operating expenses for the financial year as a percentage of operating income for the financial year.

	2024	2023	2022	2021	2020
	£million	£million	£million	£million	£million
Total operating expenses	113.7	106.2	93.2	89.4	81.8
Less: Exceptional items	(9.9)	(6.5)	-	-	-
Adjusted operating expenses	103.8	99.7	93.2	89.4	81.8
Operating income	203.9	184.7	169.6	148.9	144.5
Statutory cost to income ratio	**55.8%**	**57.5%**	**55.0%**	**60.0%**	**56.6%**
Adjusted cost to income ratio	**50.9%**	**54.0%**	**55.0%**	**60.0%**	**56.6%**

The cost to income ratio measures how efficiently the Group is utilising its cost base to produce income.

(v) Cost of risk

Cost of risk is calculated as the total of the net impairment charge on loans and advances to customers and gains and losses on modification of financial assets for the financial year as a percentage of the average loan book

	2024	2023	2022	2021	2020
	£million	£million	£million	£million	£million
Net impairment charge on loans and advances to customers	61.9	43.2	38.2	5.0	41.5
Other (losses)/gains: (gains)/losses on modification of financial assets	(0.1)	(0.3)	(1.1)	(1.5)	3.1
Total	61.8	42.9	37.1	3.5	44.6
Average loan book	3,413.9	3,099.4	2,699.3	2,240.5	2,197.8
Cost of risk	**1.8%**	**1.4%**	**1.4%**	**0.2%**	**2.0%**

The cost of risk measures how effective the Group has been in managing the credit risk of its lending portfolios.

(vi) Cost of funds

Cost of funds is calculated as the interest expense for the financial year expressed as a percentage of average loan book.

	2024	2023
	£million	£million
Interest expense and similar charges	181.1	136.5
Average loan book	3,413.9	3,099.4
Cost of funds	**5.3%**	**4.4%**

The cost of funds measures the cost of money being lent to customers.

(vii) Funding ratio and loan to deposit ratio

The funding ratio is calculated as the total funding at the year-end divided by total loans and advances to customers at the year-end. The loans to deposit ratio is calculated as total loans and advances to customers at the year-end divided by deposits from customers at the year end:

	2024	2023
	£million	£million
Deposits from customers	3,244.9	2,871.8

Deposits from customers	[illegible]	[illegible]
Borrowings under the Bank of England's liquidity support operations (including accrued interest)	358.9	395.1
Tier 2 capital (including accrued interest)	93.3	93.1
Equity	360.5	344.5
Total funding	4,057.6	3,704.5
Total loans and advances to customers	3,608.5	3,315.3
Funding ratio	**112.4%**	**111.7%**
Loan to deposit ratio	**111.2%**	**115.4%**

The funding ratio and loan to deposit ratio measure the Group's excess of funding that provides liquidity.

(viii) Profit before tax pre impairments

Profit before tax pre impairments is profit before tax, excluding impairment charges and gains on modification of financial assets.

	2024	2023
	£million	£million
Profit before income tax	29.2	36.1
Excluding: net impairment charge on loans and advances to customers	61.9	43.2
Excluding: Other (losses)/gains: gains on modification of financial assets	(0.1)	(0.3)
Profit before tax pre impairments	**91.0**	**79.0**
Exceptional items	9.9	6.5
Adjusted profit before tax pre impairments	**100.9**	**85.5**

Profit before tax pre impairments measures the operational performance of the business.

(ix) Tangible book value per share

Tangible book value per share is calculated as the total equity less intangible assets divided by the number of shares in issue at the end of the year.

	2024	2023
	£million	£million
Total equity	360.5	344.5
Less: Intangible assets	(5.0)	(5.9)
Tangible book value	355.5	338.6
Number of shares in issue at the end of the year	19,071,408	19,017,795
Tangible book value per share	**£18.64**	**£17.80**

Tangible book value per share is a measure of the Group's value per share.

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