Allica Bank

Annual Report and Accounts 2024

The only bank built for established businesses

Allica Bank Limited
Company Number 07706156

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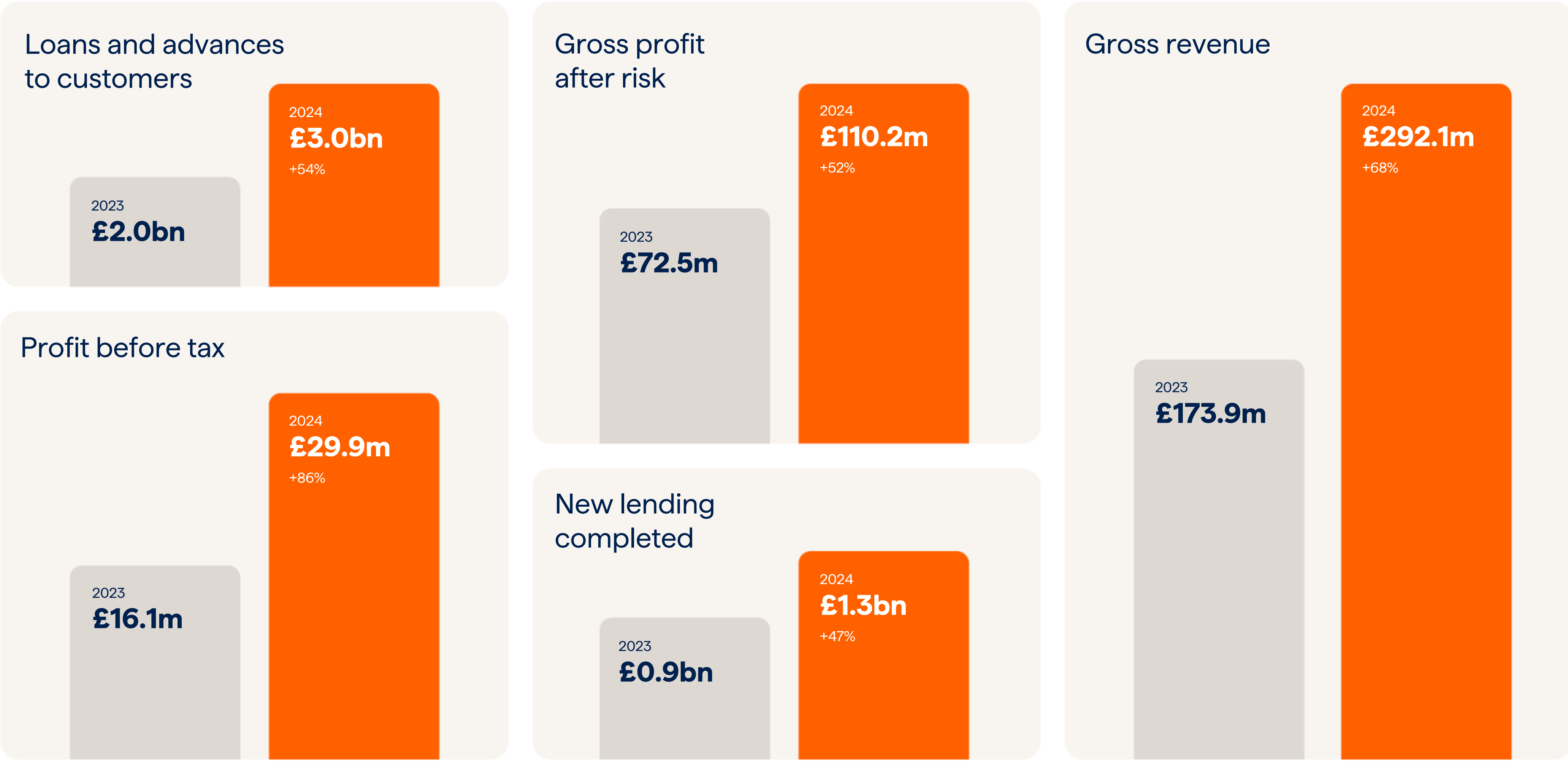
Key metrics



Non-IFRS measures referenced within the strategic report, including Gross revenue and Gross profit after risk, are defined on page 165.

2024 at a glance

Key metrics

Active Business Rewards Account customers

2023
>2,000

2024
>6,000
+231%

Colleagues

2023
496

2024
658
+33%

Customer deposits

2023
£2.6bn

2024
£4.4bn
+68%

App Store ratings [1]

4.8
Apple App Store

4.7
Google Play Store

1. Ratings as at 31 December 2024.

2024 at a glance

Awards

THE SUNDAY TIMES
Fastest growing private company in the UK

sifted
Fastest growing start-up in Europe

Deloitte.
Fastest growing technology company in the UK

Asset Finance Connect
AF50 list, fastest growing lender 2024

B2B Marketing Awards 2024
Best Use of Creative

NACFB Lender Awards
Business Bank of the Year

NACFB Lender Awards
Commercial Finance Lender of the Year

Fintech Awards London 2024
Fintech company of the year

Asset Finance Connect
Asset Finance Provider of the Year 2024

NACFB Lender Awards
Challenger Bank of the Year

Bridging & Commercial
Commercial Lender of the Year

Asset Finance Connect
AF50 list, fastest growing lender 2024

UK Fintech Awards
Young Achiever of the Year – Brian Baldacchino

UK Fintech Awards
Business Leader of the Year – Kate Valdar

NACFB Lender Awards
Marketing team of the Year

2024 at a glance

Feedback

Our customers

4.6/5

star rating ('Excellent') on independent reviews website Trustpilot from 1,300+ reviews

+67

customer Net Promoter Score (NPS) as measured by RFI Global in November 2024

"The thing that is a standout for me is that you are looked after from the start by an actual person! They personally look after you through the whole, simple process. You have their number if you want to call them directly and it makes such a difference to the usual impersonal customer service we mostly get now."

Tom, Infinity Prize Draws, Trustpilot review

Our partners

89%

of our broker partners rated their overall experience with Allica as '**Excellent**' or '**Good**'

93%

of our broker partners said their Allica business development managers' expertise was '**Excellent**' or '**Good**'

"Dealing with Allica was a slick and seamless process, from proposal to approval in just a couple of hours, which also helped us outpace competitors"

James, Director of UK Asset Funding Solutions

Our colleagues

91%

of our colleagues would recommend Allica as a place to work

92%

of our colleagues tell us they believe Allica is demographically diverse

"My career has sky rocketed since joining Allica. The opportunities feel endless"

Anonymous respondent in our December 2024 colleague survey

Chair's review

2024 was another outstanding year for Allica. I remain proud of Allica Bank's relentless progress towards giving the UK's established SMEs the banking they deserve.

At Allica, we believe that the UK's established SME businesses (ESMEs) are central to the UK economy and that they will play a key role in delivering the growth the economy needs. As a result, we are committed to providing ESMEs with a full suite of market-leading credit, payment, and savings products they need to run and grow their businesses.

2024 was another tough year for SMEs in the UK. Whilst inflation stabilised during the year, additional costs such as higher national insurance contributions and minimum wage growth impacted business confidence and continue to hamper economic growth. It is during such tough periods that SMEs need a bank that they can rely on to support them. We are that bank and have continued to help UK ESMEs address the challenges they face whilst enabling them to look forward with confidence.

As a result, we have now advanced over £3 billion of loans to ESMEs, £1.3 billion of which was in 2024. We have further cemented our position as the UK's market leader for broker distributed ESME lending, and have been recognised through winning many awards from our valued brokers and customers. In addition, we have made significant progress with our direct-to-customer offering. At the heart of this is our market-leading business current account – the Business Rewards Account – which has seen very exciting growth, with a wide range of new features successfully integrated.

During 2024, we updated our research on the anniversary of our inaugural Great British Savings Squeeze report and highlighted that SMEs are losing out on £9 billion a year (a 20% rise from 2023) due to interest rate savings not being passed on to businesses. We continue to campaign for change in the business savings market and for UK SMEs to get a better deal. We are leading the market in delivering ESMEs a fair return on their savings and cash reserves. This fair deal for ESMEs should be, in our view, the standard that all banks deliver for ESMEs.

Against this background, Allica increased the number of its active Business Rewards Account holders to over 6,000 in 2024.

In terms of financial performance, Allica built on its first year of full profitability in 2023 by nearly doubling pre-tax profit to £29.9 million, underpinned by low loan losses and supported by strong liquidity and capital ratios.

We appreciate the continued support of our three equity investors, Warwick Capital Partners, TCV and Atalaya Capital Management.

And finally, a huge thank you to our dedicated colleagues, without whom we would not be where we are today and would not be able to achieve our ambitions of tomorrow. We spend considerable time thinking about how we can create a rewarding and inclusive environment for our team members. The results of our most recent anonymous colleague survey, in which 92% either agreed or strongly agreed that they love working at Allica, are gratifying.

Chief Executive Officer's review

2024 has been our best year yet. We have generated profit before tax of £29.9 million, breaking through £3 billion in business lending and £4 billion of deposits from customers.

Allica has continued its mission to disrupt the existing SME finance industry that too often provides ESMEs with inconvenient, impersonal and poor value services. It is fantastic to see Allica leading on all fronts as we delivered record growth across lending, current accounts and deposits, and made tremendous advances in our proprietary technology capabilities.

We were really pleased to see our performance and efforts over the last three to four years recognised through a range of 'fastest growth' awards.

These included topping The Sunday Times Top 100 List of Britain's fastest-growing private companies in June (with the highest growth rate in the 27-year history of those awards), and ranking number one in the 2024 Deloitte UK Tech Fast 50 list for a second year in a row (only the second company in history to achieve this). Then we ended 2024 by being named the fastest-growing start-up in Europe by Sifted.

These successes are built on our razor-sharp strategic focus on transforming the ESME segment, and the continued hard work of the Allica team.

I was pleased to see the economic contribution of all this work confirmed by Oxford Economics, who found Allica's lending supported over 80,000 SME jobs.

Financial performance

In the twelve months to 31 December 2024, Allica achieved a second full year of profitability. Pre-tax profit rose by 86% year-on-year to £29.9 million and gross revenue increased to £292.1 million from £173.9 million, as we grew our loan book to over £3 billion, and deposits from customers to over £4 billion.

The pace of Allica's growth is testament to the frustration that our customers feel with the status quo, and that Allica is offering a real alternative.

Customers first

We have continued to invest heavily in our people and technology, to build stronger relationships with our customers through our named relationship managers, assisted onboarding, our clean and fast user experience designed solely for the needs of our ESME customers, and excellent value.

These efforts are reflected in our customer and partner feedback, where we have seen our Trustpilot score increase to 4.6 (2023: 4.5), our customer NPS score increasing to +67 (2023: +60), our Apple App Store rating rise to 4.8/5 and our Google Play Store rating increase to 4.7/5.

A full product suite

We remain committed to transforming finance for ESMEs by offering them a full suite of products that cater to their diverse financial needs. We are the only fintech challenger that has this full service capability, and can therefore increasingly fully replace the incumbent banks.

We advanced over £1.3 billion of lending to ESMEs in 2024 through our established commercial mortgage and asset finance products, as well as our newer growth finance product. We have continued to build on our position as the UK's market leader for broker-led SME lending, as well as investing into growing our direct-to-customer (D2C) business with 21% of our new organic lending now coming from our D2C business.

During 2024, we also entered the bridging market through our acquisition of Tuscan Capital (now rebranded under the Allica Bank umbrella). This followed a lot of feedback from the broker community asking us to enter the underserved commercial bridging market.

We have continued to invest heavily into our award-winning business current account – called the Business Rewards Account (BRA). Our current account offering provides ESMEs market leading value, with unique features and functionality tailored solely to them.

As a result, we more than tripled our BRA customer base in 2024 to over 6,000, and we intend to scale this further in 2025 as we become the 'go to' banking provider for ESMEs.

Proprietary technology

Allica continues its significant investment across our customer facing products and channel software, as well as our back office software and data capabilities.

Allica now has over 200 in-house product and engineering ('ProdEng') staff, organised into 20 single-threaded teams. These teams delivered over 3,500 releases in 2024.

Our proprietary software underpins all elements of Allica's competitive advantage, which is reflected through the excellent customer feedback we get.

Some particular highlights from our ProdEng teams in 2024 include:

1. Implementing a machine learning model to increase our automated asset finance decision-making.
2. Automation of lending origination and fulfilment activities that increased staff productivity by over 20% year on year.
3. Various generative AI use cases, including processing private financial information and security reports.
4. Delivering complex permissions and authorisation workflows for our BRA, as requested by our customers.
5. Integrations with Wise (EUR and USD), Yapily, Sage and Xero.

In 2025, we will continue to invest in developing both our lending and payments software, fully integrating bridging finance into our proprietary lending platform. We are also exploring card and spend management tools that could save business owners and their accountants significant amounts of time and reduce the potential for error.

Championing SMEs in public policy

I was very pleased to see the Prudential Regulation Authority make significant changes to its proposals for SME lending under Basel 3.1. This followed significant work by myself and the Allica team, where we took a vocal public position on this issue, given the damaging impact the initial proposals could have had on UK SME lending.

Allica is becoming a significant voice in the SME and fintech community, and I was pleased to provide evidence to the Lords Financial Services Committee enquiry on the regulators' Secondary Objectives in November.

We also continued our public campaign for better savings rates for SMEs, and in 2025 we'll be pushing for an increase to the Financial Services Compensation Scheme ('FSCS') limit to support this, which the Bank of England is consulting on.

We are also vocal advocates of the need to increase the size of the Growth Guarantee Scheme (GGS) to support the UK's economic ambitions. The GGS works well, but the current limits are insufficient for customer demand, and our research shows the scheme is three-to-four times smaller, relative to GDP, than comparable schemes in economies such as the US, Germany and France.

Risk management

With our rapid growth, we have continued to prioritise the enhancement of our risk management capabilities.

We have continued to enhance our credit risk and expected credit loss models, which we will continue to develop in 2025. We have also improved our treasury risk capabilities through successfully implementing a new Treasury Management System and are in the process of implementing an Asset & Liability Management System.

On the non-financial side, to support the growth in our current account, we have also prioritised continued development of our operational resilience framework, particularly, the upscaling of our financial crime risk management capabilities, which are key as we process increasing volumes of payments on the BRA.

People

As Allica continues to grow, our people remain at the heart of everything we do. Across 2024, we've seen our colleague numbers grow by 33% , meaning we ended the year with a total of 658 colleagues.

During the year, we revised Allica's values to properly reflect the unique culture that has allowed Allica to achieve the incredible growth that we have seen to date. Our culture and values are key to our success, and I was proud to see that in our end of year anonymous employee survey, 91% of our colleagues said they would recommend Allica as a place to work.

We continue to strive towards making Allica a truly diverse place to work. Across 2024, 42% of our colleagues identified as female, and 34% identified as being from ethnic minority groups. Across our Executive Committee, 40% of colleagues identified as female, and 30% identified as being from ethnic minority groups. In our end of year anonymous employee survey, 92% said they believe Allica is diverse.

I am tremendously grateful to our colleagues for sustaining the unique culture that makes Allica what it is and for their hard work that delivered our second profitable year, as well as our customers, brokers, suppliers, Board and investors for continuing to support us during a very successful 2024. I look forward to our continued progress in 2025.

Our business model and strategy

Our strategy and purpose

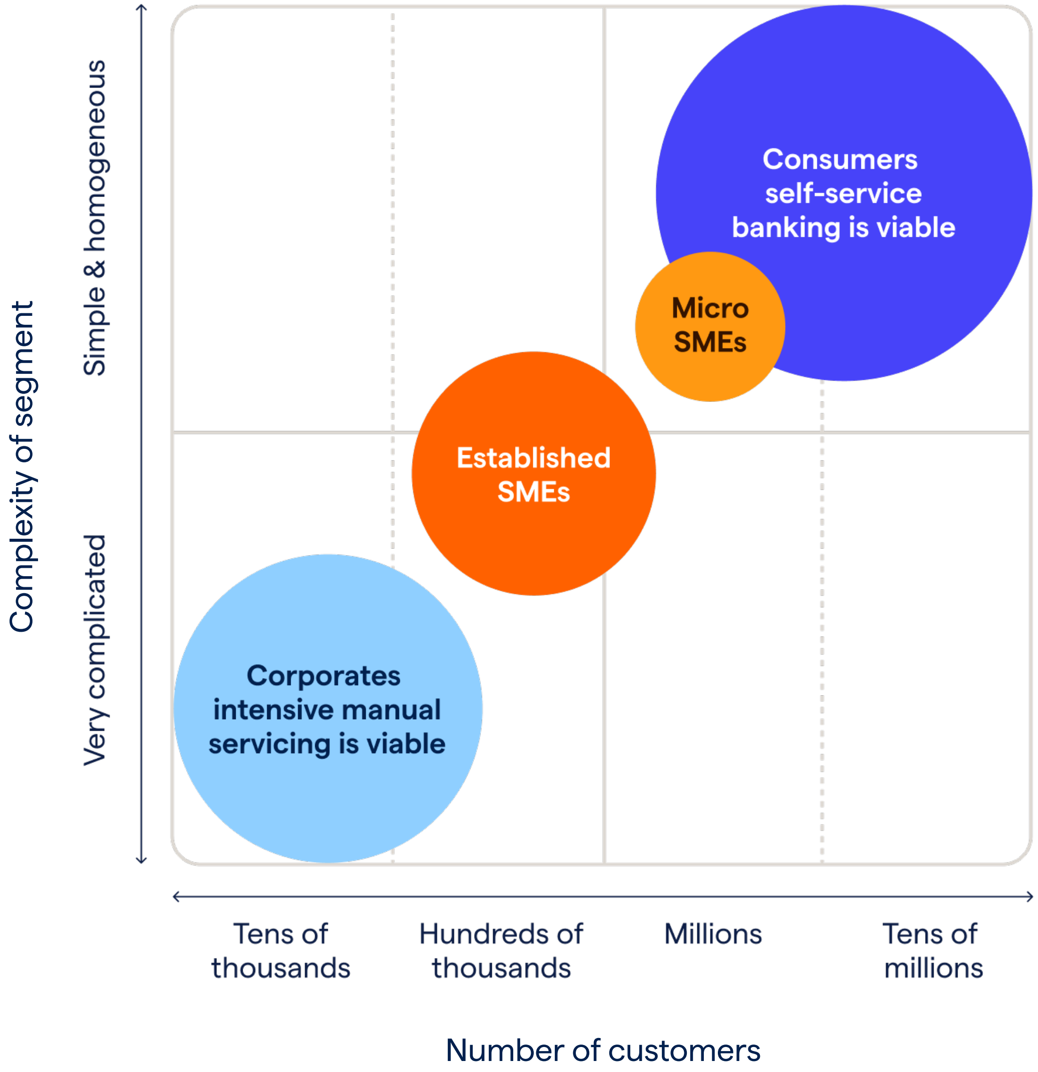
Allica exists to serve established SMEs, meaning businesses which typically have 5–250 staff. These established businesses are critical for our economy and communities, making up a third of UK employment and turnover. Yet the service they get from big banks is increasingly impersonal, inconvenient, and poor value.

For traditional banks, ESMEs sit awkwardly between their two core markets of tens of millions of homogeneous households and micro-businesses on one side, and a few thousand highly valuable large corporations on the other. As a result, combined with unsuitable technology platforms and operating models, incumbent banks find the complex needs of ESMEs too costly to serve effectively.

Allica is doing things differently. We are committed exclusively to the needs of this large and valuable segment of the economy, ensuring ESME businesses receive the banking they deserve.

This means proprietary technology that allows us to deliver a superior customer experience, offer exceptional value and a personal touch when needed.

It's business banking how it used to be, just better.



The only full-service digital bank for ESMEs

Our journey so far

Having already laid out the initial foundations for our operations and developing a suite of products to address the immediate needs of our customers, we are focused on delivering a true alternative to the high street incumbent banks through our full service offering.

At the heart of this is continuing to scale up our business current account – the Business Rewards Account. This enables us to have a full banking relationship with our customers, allowing Allica to access lending opportunities, whilst also providing access to funding which reduces the cost base for our lending.

We are the only fintech that fully replaces the incumbent banks in this segment. We built technology to solve this segment's complexity at scale.

We have been recognised as the fastest growing fintech in UK history, with our lending continuing to scale through proven risk management, a rapidly growing business current account, and demonstrable operating leverage and profitability.

Vision for the future

We will continue to reinvent business banking for the digital age by developing further tools to support our ESMEs in managing their key challenges and by putting their bank account at the centre of their financial universe. Our goal is to redefine the role of banking in solving the long-term challenges faced by UK SMEs.

How we're different for our customers

Because Allica prioritises the needs of ESMEs, we're able to focus relentlessly on solving their particular banking needs and pains. We express this through four pillars of differentiation – against the current experience that ESMEs face from incumbent high street banks.

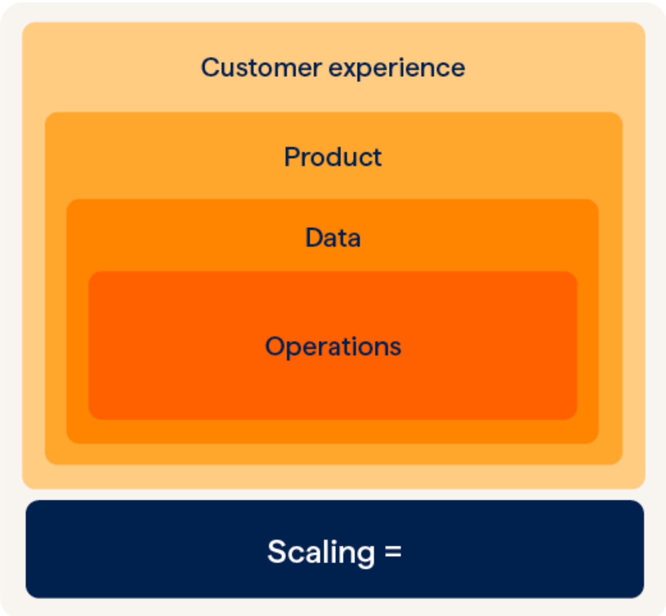
	Experience with incumbents	How we seek to be different
1	They struggle to access the right financing options they need to fund their growth.	A lender that seeks out ways to say yes, instead of reasons to say no.
2	They've lost the relationship manager service their high street bank used to provide.	A relationship manager who listens to you, not one who hides from you.
3	They feel ripped off on day-to-day banking due to poor service, low interest and high fees.	A current account that rewards you, instead of punishing you.
4	Banking is not on their terms, with fragmented systems and faceless call centres.	Technology that brings us closer to you, instead of cutting you off.

How Allica is built differently for long-term advantage

Incumbent banks suffer from legacy systems (often from third-parties) that were not designed with the unique characteristics of the ESME segment in mind.

This typically leads to manual processes, endemic rework, weak insight and poor customer experience.

We have high conviction that getting our technical and data foundations right will deliver sustained, and growing, competitive advantage as we continue to scale. As such, Allica will continue to invest in our proprietary technology and data platform.



Incumbent's legacy foundations		Our getting the foundations right
Product-level relationships, not customer-level relationships.	VS	A single customer view creates joined up experiences.
Customer experience is forced to fit inflexible internal processes.		Customer sales come naturally - and efficiently.
Each minor product iteration bakes in a further layer of inefficiency.		Able to evolve our product suite to evolving customer needs.
Each minor product iteration involves costly change programmes.		New processes can be automated quickly and seamlessly.
Constant waste and rework from the need to remediate data.		A single source of truth, and minimal data rework.
Duplicated and dispersed data undermines business visibility.		Processes and performance insights accurately in real-time.
New processes inevitably add manual workarounds.		Processes can constantly improve based on data insights.
Specialist products undermined by high operating costs.		Able to profitably offer higher-margin specialist products.
Legacy begets more legacy		**A virtuous cycle**

The Allica Bank brand

In 2024, we made significant investments in defining and strengthening the Allica Bank brand. We refined our brand positioning and key pillars, refreshed our visual identity, including the introduction of a new logo, and confirmed the orange bowler as our distinctive brand asset.

These efforts helped significantly increase our brand awareness, reinforcing Allica's ambition to become the go-to bank for ESMEs.

Our brand positioning

Business banking how it used to be, just better.

Our 2024 priorities

In 2024, we chose to measure our performance against the four key priorities of:

1 Most recommended in all we do

2 Full-service ESME growth

3 Best in class efficiency

4 Robust risk outcomes

Delivery of these four key priorities are underpinned by the twin pillars of 'talent and culture', and 'technology and data'.

This framework underpins our internal performance measurement through relevant objectives and key performance indicators (KPIs), as well as acting as our balanced scorecard for performance management and colleague remuneration.

Reflecting the growing maturity of our business, as we scale through a consistent and focused strategy, we are using the same thematic framework for our prioritisation and performance management in 2025.

Our priorities

Most recommended in all we do	To be the most recommended business bank among our customers, their trusted advisers such as brokers and accountants, and our colleagues.
Full-service ESME growth	To grow our new product distribution, whilst deepening our banking relationships through our business current account and product cross-sell.
Best in class efficiency	To deliver market-leading customer acquisition cost (CAC) and automation, to improve our operating leverage, whilst reducing our cost of funds and capital.
Robust risk outcomes	To ensure an effective risk management culture, we have a stringent focus on delivering all of our Key Risk Indicators (KRIs) and audit actions.

Supporting pillars

Talent and culture	Technology and data

Delivering on our 2024 priorities

1. Most recommended in all we do

Recommended by our customers

We use the widely recognised Net Promoter Score (NPS) methodology to directly measure the likelihood of our business customers recommending Allica. The exercise carried out by financial services research firm RFI Global in November 2024 showed a customer NPS of +67, up from +60 in November 2023. This is considered a strong rating, and we're pleased to see this continuing to improve year-on-year.

Our customers have rated us 4.6/5 on Trustpilot as at the end of 2024, with over 1,300 customers having left feedback for us.

Recommended by our partners

Our largest channel for lending is commercial finance brokers, whose role is to recommend suitable loans to their business clients. Our 2024 year-end broker survey showed that 89% of our broker partners rated their overall experience with Allica as 'Excellent' or 'Good'.

We also ran our first ever survey for our accountant partners during the year, of whom 100% rated their their overall experience with Allica as 'Excellent' or 'Good'.

Recommended by our colleagues

In our end-of-year anonymous colleague survey, 91% of colleagues would recommend Allica as a place to work.

> "Absolutely this is the best firm I have worked at, and I have worked at a number having worked for over 40 years"
>
> Respondent in our December 2024 anonymous colleague survey

2. Full-service banking growth

Grow our new product distribution

Our net loan book grew by 54% from £2.0 billion to £3.0 billion in 2024, primarily from the growth in our ESME lending products, including business loans secured on property, asset finance and growth finance.

Our deposit balances grew strongly in 2024 – increasing 68% from £2.6 billion to £4.4 billion year-on-year.

Scaling our Business Rewards Account

The Business Rewards Account is central to our strategy, enabling us to have a full banking relationship with customers. We have invested heavily into growing the product throughout 2024, with a focus on our marketing, a market leading rate of interest and additional features offered in the account. We have seen great success in this, with the total number of Business Reward Account holders having grown to over 6,000 by the end of 2024.

The Business Rewards Account makes us the only fintech challenger bank able to offer a full banking relationship across lending, savings and payments to ESMEs.

Supplementing our lending capabilities

During the year, we increased our lending capabilities by offering several new products. As part of this, we started offering commercial bridging loans through our acquisition of Tuscan Capital, our first ever acquisition.

Delivering on our 2024 priorities (continued)

3. Best in class efficiency

Improving our operating leverage

Central to Allica's strategy is the use of proprietary technology to drive both enhanced operating efficiencies and customer experience— we believe that the degradation of SME banking services by incumbents stems in part from a false choice between the two.

An example is our market-first automated decision-in-principle (DiP) tool, which delivers both enhanced customer experience from instantaneous answers, alongside enhanced efficiency from reduced manual underwriting activities.

During the year, we adopted a 'single-threaded teams' approach for our technology development colleagues.

What this means is that each team has a sole focus to deliver a single product at any one time, rather than spreading their efforts across multiple focuses. This approach has removed cross-team dependencies and allowed us to focus on delivering new products at speed, while also making it easier to scale our resourcing.

With the significant investment into building our tech stack, we have seen a number of new staff hired to support our growth. This has further strengthened our financial performance, with operating income continuing to grow at a comparable rate to our operating costs.

4. Robust risk outcomes

A culture with risk management at its heart

Risk management is central to our culture and objectives. A comprehensive Risk Management Framework (RMF) articulates how we approach risk management and is overseen by our Board. The associated Risk Appetite Statements (RAS) defines how much risk we are prepared to take to achieve our business objectives.

Our approach to risk management encompasses strong leadership commitment, comprehensive risk awareness training, and clear accountability structures. We have implemented a rigorous three-lines-of-defence model and aligned our remuneration framework with our risk management. Our risk awareness is reinforced through regular communication, dedicated training programmes, and the inclusion of risk-related objectives in performance evaluations. We foster an environment of open dialogue and constructive challenge, supported by effective escalation processes.

Continuous improvement is central to our ethos, with regular self-assessments and lessons-learned exercises driving our risk management evolution. This holistic approach ensures that prudent risk-taking is embedded in every aspect of our operations, from the boardroom to day-to-day activities, safeguarding our stakeholders' interests and promoting long-term stability and success.

Our 2024 risk objectives included:

- Credit risk: delivering appropriate risk-reward through the cycle.
- Interest rate and liquidity risk: stability of funding cost to support our clients.
- Operational risk: uptime of payment services and other systems.
- Financial crime risk: ensuring that our systems and controls stay proportionate with our growing number of account holders.
- Customer outcomes: delivering operationally resilient, transparent and fairly priced services for clients.

Chief Financial Officer's review

In 2024, we have continued to grow our lending and deposit products with our loan book growing to £3.0bn and our customer deposits growing to £4.4bn. This sustained balance sheet growth contributed to an increase in gross profit after risk of 52% to £110.2m and an increase in profit before tax of 86% to £29.9m.

Gross revenue
£292.1m
68% increase from 2023 (£173.9m)

Deposits from customers
£4.4bn
68% increase from 2023 (£2.6bn)

Gross profit after risk
£110.2m
52% increase from 2023 (£72.5m)

Loans and advances to customers
£3.0bn
54% increase from 2023 (£2.0bn)

Profit before tax
£29.9m
86% increase from 2023 (£16.1m)

Net interest margin
4.5%
2023: 5.0%

Non-IFRS measures referenced within the strategic report, including Gross revenue and Gross profit after risk, are defined on page 165.

Summary performance metrics

	Year ended 31/12/2024	Year ended 31/12/2023
Gross revenue (£'m)	292.1	173.9
Gross profit after risk (£'m)	110.2	72.5
Net interest margin (NIM)	4.5 %	5.0 %

Non-IFRS measures referenced within the strategic report, including Gross revenue and Gross profit after risk, are defined on page 165.

Condensed profit or loss account

	Year ended 31/12/2024	Year ended 31/12/2023
	£'m	£'m
Net interest income	114.0	80.0
Fair value gains on financial instruments	11.8	6.9
Net fee and commission expense	(5.4)	(0.1)
Total operating income	**120.4**	**86.8**
Operating expenses	(80.3)	(56.4)
Impairment losses	(10.2)	(14.3)
Profit before tax	**29.9**	**16.1**
Taxation (charge)/credit	(0.1)	3.1
Profit after tax for the year	**29.8**	**19.2**

In 2024, we have generated exceptional growth in our core performance metrics with gross revenue increasing by 68% to £292.1m, gross profit after risk increasing by 52% to £110.2m and profit before tax almost doubling to £29.9m. This performance is driven by the growth in our balance sheet, supported by a strong NIM of 4.5%.

Total operating income

Total operating income grew by 39% to £120.4m (2023: £86.8m) primarily due to an increase in net interest income of 42% to £114.0m (2023: £80.0m) during the year.

	Year ended 31/12/2024	Year ended 31/12/2023
	£'m	£'m
Interest income		
On loans and advances to customers	213.1	124.9
On loans and advances to banks	49.7	35.6
On debt securities	11.0	4.0
Interest income calculating using EIR	**273.8**	**164.5**
On derivatives in hedge relationships	46.5	13.3
Total	**320.3**	**177.8**

Interest income increased by £142.5m (80%) to £320.3m, with £88.2m of the increase arising from loans and advances to customers reflecting our continued loan book growth combined with strong yields. Interest on loans and advances to banks, which primarily relates to the returns on funds placed with the Bank of England, and interest on debt securities have also increased due to growth in these assets.

	Year ended 31/12/2024	Year ended 31/12/2023
	£'m	£'m
Interest expense		
On deposits from customers	(154.8)	(83.0)
On subordinated debt	(2.2)	(1.0)
On other interest bearing financial instruments	(5.5)	(0.1)
Interest expense calculated using EIR	**(162.5)**	**(84.1)**
On derivatives in hedge relationships	(43.8)	(13.7)
Total	**(206.3)**	**(97.8)**

Total operating income (continued)

Interest expense increased by 111% to £206.3m, which is largely the result of the significant growth in customer deposits as explained further below.

Net interest margin remains robust at 4.5% (2023: 5.0%). The 2023 net interest margin was boosted by the rising base rate environment, with the Bank benefiting from a timing lag between the rises in yields on lending and cost of deposits.

	Year ended 31/12/2024	Year ended 31/12/2023
	£'m	£'m
Net fee and commission expense		
Customer card transaction income	2.1	0.5
Fee income on loans and advances to customers	1.6	2.3
Servicing fees for loans and advances to customers	(7.6)	(2.3)
Servicing fees for deposits from customers	(0.8)	(0.5)
Other expenses on loans and advances to customers	(0.7)	(0.1)
Net fee and commission expense	**(5.4)**	**(0.1)**

Net fees and commissions expense increased from £0.1m to £5.4m. The main driver of these costs is servicing fees for loans and advances to customers, which have risen due to an increase in loans originated through forward flow arrangements with our third party partners.

This is offset by an increase in customer card transaction income due to an increase in volumes from the growth in our Business Rewards Account ("BRA") and related customer card spend.

Total operating expenses

	Year ended 31/12/2024	Year ended 31/12/2023
	£'m	£'m
Operating expenses		
Staff costs	47.3	33.0
Legal and professional fees	4.7	3.8
Depreciation and amortisation	6.3	5.4
Technology license fees and subscriptions	6.7	5.7
Marketing	5.5	3.3
Other	9.8	5.2
Total operating expenses	**80.3**	**56.4**

Operating expenses increased by 42% to £80.3m (2023: £56.4m) as we continue to invest in the future growth of the Bank. Staff costs have increased by 43%, primarily through investment in our sales and partnerships teams, as well as our technology, data and product functions.

The increase in our sales function, including relationship managers, account managers and partnerships teams, has supported the increase in the mix of our loan originations coming through our direct channel, as well as driving the acquisition of BRA customers. We continue to invest in this area to drive the growth in our direct originations and BRA growth.

Our investment in our technology, data and product function is focused on the continued development of our core technology infrastructure that will support future efficiencies in our platform as we continue to scale up the Bank.

In addition, we have invested heavily in marketing expenditure through our successful multi-channel campaigns as we sought to further increase our brand awareness and reduce our customer acquisition costs.

Also included within operating expenses are certain non-recurring expenses, including acquisition costs associated with the Bank's acquisition of Tuscan Capital (Holdings) Limited (see Note 32 of the financial statements) of £1.0m and accelerated amortisation on intangible assets as a result of management decisions to replace certain legacy technology platforms totalling £1.5m (2023: £0.9m).

Impairment losses

Impairment losses have decreased by 29% to £10.2m (2023: £14m), with coverage rates remaining largely consistent at 1.1% (2023: 1.1%).

In 2023, we increased coverage rates to reflect our view of a deteriorating macroeconomic and a maturing book, leading to an increased impairment loss. In 2024 our coverage ratio of 1.1%, stable with FY23, reflects an improvement in our outlook of macroeconomic factors offset with the continued maturity of our book, leading to an increase in exposures in Stage 2 and 3.

As at 31/12/24	Gross loan and advances to customers[1] £'m	Expected credit loss £'m	Coverage ratio %
Stage 1	2,710.1	13.1	0.5 %
Stage 2	308.6	6.1	2.0 %
Stage 3	59.5	13.0	21.8 %
POCI	22.2	0.8	3.8 %
Total	**3,100.4**	**33.0**	**1.1 %**
As at 31/12/23			
Stage 1	1,797.7	13.8	0.8 %
Stage 2	171.8	3.9	2.3 %
Stage 3	30.1	4.3	14.3 %
Total	**1,999.6**	**22.0**	**1.1 %**

Taxation

The taxation charge for the year was £140k (2023: credit of £3.1m). This is made up of a current tax charge of £3.5m, offset by a deferred tax benefit of £3.4m. The deferred tax benefit is primarily due to the recognition of a deferred tax asset relating to the Bank's carry forward tax losses (see note 9 to the financial statements).

1 Refers to total credit exposure held by the Group, which excludes adjustments for EIR and other minor adjustments to the principal balance of Gross loans and advances to customers.

The Bank's condensed balance sheet

	2024 £'m	2023 £'m
Assets		
Loans and advances to customers	3,048.8	1,976.8
Cash, cash equivalents and other liquid assets	1,804.0	922.3
Other assets	70.4	47.0
Deferred tax asset	11.3	12.9
Total assets	**4,934.5**	**2,959.0**
Liabilities		
Deposits from customers	4,428.1	2,633.2
Provisions	1.3	1.6
Other liabilities	128.4	44.9
Total liabilities	**4,557.8**	**2,679.8**
Equity		
Share capital	3.4	2.9
Share premium	280.9	301.2
Perpetual notes (including convertible)	44.9	45.1
Other capital and reserves	47.5	(70.0)
Total equity	**376.7**	**279.2**
Total equity and liabilities	**4,934.5**	**2,959.0**

Other financial position metrics

New organic lending (£m)	1,124.5	729.1
Total capital ratio	18.8 %	19.5 %
Liquidity coverage ratio (LCR)	253.0 %	219.1 %

Loans and advances

The Bank continued to grow its lending to ESMEs during the year, primarily through our organic lending products , via our direct distribution and broker channels. As a result, loans and advances to customers increased by 54% to £3.0bn. At 31 December 2024, our loan portfolio mix was as follows:

Net loans and advances to customers	As at 31/12/2024 £'m	As at 31/12/2023 £'m
Commercial mortgages	1,747.4	1,041.3
Asset finance	427.8	303.9
Forward flow	476.2	392.2
Portfolio acquisitions	268.8	209.9
Other	130.6	30.7
Hedge adjustment	(2.0)	(1.2)
Total	**3,048.8**	**1,976.8**

The year saw excellent growth in all of our core lending streams. We advanced £1.1 billion of new lending for organic lending products, which consists of commercial mortgages, asset finance and other products (including bridging finance and growth finance). Commercial mortgages, which consists of business loans secured on property and commercial investment, increased by 68% to £1,747.4m on and asset finance balances grew by 41% to £427.8m.

The Bank also increased its forward flow lending by 21%, supported by £0.2 billion of new lending. This is where Allica partners with trusted non-bank ESME lenders who originate and service loans to ESMEs with Allica providing the funding.

The balances above are shown after impairment losses. Our total provision for expected credit losses increased to £33.0m at the year-end (2023: £22.0m), which reflects the significant growth in our loan book. The balance sheet coverage ratio has remained stable at 1.1%.

The Bank mitigates its exposure to interest rate risk on lending by utilising interest rate swaps. At 31 December 2024, the Bank held derivative assets of £23.5m (2023: £19.6m) and derivative liabilities of £8.1m (2023: £22.5m), leading to a net derivative asset position of £15.4m (2023: liability of £2.9m).

Deposits

The Bank's deposits grew significantly in the year as we continued to offer excellent savings rates to both personal and business customers. We are particularly pleased that our balances from business savers grew by 408% in the year and now comprise 47% of our deposit balances (2023: 16%).

The growth in business savings was driven by two factors. First, we continue our mission to offer great rates on business savings accounts where large banks are failing to do so. We have robustly campaigned publicly on this issue and will continue to do so. Secondly, we have seen phenomenal growth in our flagship business current account with over 6,000 customers having signed up to the Business Rewards Account. We are delighted that this growth has continued into 2025.

As a result, deposits from customers increased by 68% to £4.4bn (2023: £2.6bn). We are continuing to invest in our Business Rewards Account, as well as our savings accounts, to continue offering competitive products that meet the needs of our customers.

Liquidity

The Bank continues to adopt a prudent approach to its liquid asset portfolio with over 80% placed at the Bank of England. The remainder is invested in high quality debt securities.

The strength of the Bank's liquidity is measured by our Liquidity Coverage Ratio (LCR). At the year end, the ratio was 253.0% (2023: 219.1%). This is significantly above the minimum regulatory requirement of 100%. We monitor our liquidity levels very closely to ensure that the Bank has sufficient liquid assets to pay its liabilities as they fall due.

The Bank's liquidity is monitored through our reporting to the Prudential Regulation Authority (PRA), in line with their regulatory rules.

Capital

We continue to receive strong support from our three main investors: Warwick Capital Partners; TCV and Atalaya Capital Management. During the year a further £70m of regulatory capital was either invested or committed to support the growth of the business. The Bank has now raised in excess of £390m since authorisation.

During the year, the Bank undertook a capital reorganisation reducing the share premium account by £73.5m and increasing distributable reserves by the same amount. This enables the Bank to pay distributions on its issued AT1 securities. The Bank has no current plans to pay equity dividends.

As at 31 December 2024, Allica's CET1 ratio was 14.5% (2023: 15.7%) and the Bank's total capital ratio was 18.8% (2023: 19.5%).

During the year, the Bank entered into a Significant Risk Transfer transaction ("SRT") and submitted a notification to the PRA in accordance with Credit Risk 3.1 of the PRA Rulebook. The SRT is Allica's first such transaction and, as far as we are aware, the first SRT for a UK challenger bank. Given this precedent, the Directors believe it is prudent to not recognise the capital benefit of the SRT until the PRA has completed its review and as such the capital ratios disclosed exclude this benefit. The PRA does not operate a pre-approval process for SRTs.

Basel 3.1/SDDT regime

On 12 September 2024 the Prudential Regulation Authority (PRA) published both the final rules for its implementation of Basel 3.1 and a consultation paper setting out proposals for the capital regime for Small Domestic Domestic Deposit Takers (SDDT). Allica is eligible for both regimes.

On 17 January, 2025, the PRA announced a delay of one year to the implementation of Basel 3.1 until 1 January 2027 to allow more clarity to emerge about plans for its implementation in the United States.

Allica continues to monitor the development of the regulatory landscape and its implications for the Bank and awaits further information from the PRA on the implementation of both regimes.

Our approach to people

People

Allica's mission is to be the UK's most-recommended business bank.

Our colleagues are at the heart of this; they are what makes Allica different, they are what makes Allica great.

Therefore, we don't just want to be the most recommended business bank for our customers, we want to be the most recommended bank for our colleagues too.

We want to be the best place our colleagues have ever worked, which means creating an enjoyable, healthy, and rewarding work experience. Furthermore, it also involves having a working environment that encourages diversity, allowing every colleague to feel comfortable in bringing their whole self to work.

This philosophy helps Allica attract the best talent in the market—high achievers who consistently deliver, and are a vital part of Allica achieving its ambitious plans.

Our values

Over the past year, our headcount has grown significantly, taking the Group to 658 employees at the end of 2024. As we continue to hire to support the growth of the Group, it is increasingly more important that we maintain our philosophy and ensure that we have the correct infrastructure in place. To support this, we have updated the Group's values to properly reflect the unique culture that has allowed Allica to achieve the incredible growth that we have seen to date.

Our values are the driving force behind Allica's people. We have always had a robust recruitment process which ensures that all new starters share our values and can confidently demonstrate how they have championed them in their previous experience.

It is crucial to our success that every colleague lives our values consistently. Allica's values frame our decisions and ensure they are aligned with our goals and objectives. They reflect our culture by shaping the way our colleagues interact with each other and with our customers.

Moreover, they give us a common language and basis on which to help integrate new colleagues and a mutual understanding of collaboration. Our culture and values help us build lasting relationships with our customers. Lived consistently, they create a perceptible difference and, most importantly, trust. The trust our customers place in us reflects our relentless focus on excellent customer service which helps to set us apart from our competitors.

In it together

- *Missionaries not mercenaries* – for others it's just a job. We're passionate about truly helping our customers.
- *It takes all sorts* – others treat diversity as a buzzword. We want the best from any background.
- *Share the glory* – others build personal empires. We know our success comes from achieving our company goals by helping each other out.

Straight bat

- *Speak up* – others turn a blind eye. We aren't afraid to speak up and are ready to do something about it.
- *Do good* – others follow rules because they have to. We do because we want to – even when no one is looking.
- *No nonsense* – others over-complicate. We start with the customer and find practical solutions.

Lead by example

- *No preening* – others measure worth by job titles, meetings and headcount. We value the outcomes you deliver.
- *In the action* – others shout from the stands. We're player-managers who lead from the front.
- *Dive deep* – others are hands-off. We're on top of the data and details, and no task is beneath us.

Own it

- *Make it happen* – others pass the buck and don't take decisions. We take responsibility and follow through.
- *Never settle* – others settle for good enough. We keep improving to be the best we can be and are always learning.
- *Own risks* – others manage around risks and issues. We follow the data and get to the root causes.

Need for speed

- *Speed wins* – others are slow. We know if we execute and improve faster then we build a massive advantage over time.
- *Talk is cheap* – others like to talk about what needs doing. We get on with doing it.
- *Be open* – others hoard information as internal currency. We believe transparency by default is faster and better.

Finding the right people to work at Allica is vital to help fuel our rapid growth. To support this, we include an extra interview stage for recruitment on our senior roles, which is conducted by experienced Allica colleagues with a proven history of hiring great people.

This interview builds upon our values and looks deeper at the characteristics and traits of the best Allica employees, we call these characteristics and traits our 7Ps:

- Purposeful
- Passion
- Perseverance
- Pace
- Practical
- Probing
- Progression

A great place to work

Ensuring that our colleagues are engaged and that Allica is a great place to work is one of our key objectives. We check in with our colleagues regularly to ensure this is the case and to identify areas that we can improve.

We're proud that the results of our internal surveys continue to show that Allica colleagues are highly engaged, motivated and enjoy working in Allica's diverse culture.

We asked our colleagues to describe how they felt about 2024 and the results were overwhelmingly positive with: 'excited', 'growth', 'motivated' and 'opportunity' being the top responses.

92%
of colleagues love working at Allica.

91%
would recommend working at Allica to a friend or relative.

92%
of colleagues believe that Allica is demographically diverse.

95%
of colleagues are proud to tell others they work for Allica.

Diversity

Allica is committed to diversity and to nurturing a workplace culture that is fair and supportive for all. We recognise diversity as being central to our future success and in ensuring our service to customers continues to be of the highest standard. Diversity is, and will always be, a focus for Allica.

Through our diversity initiatives, Allica has developed a truly diverse workforce with 42% of colleagues identifying as female (ExCo: 40%) and 34% of our colleagues being from ethnic minority groups (ExCo: 30%).

We have a Diversity & Inclusion Forum, comprised of colleagues committed to diversity and inclusion within the organisation. The main goal of the forum is to promote an environment where colleagues feel genuinely represented and empowered to embrace their authentic selves at work.

Throughout the year, the forum has celebrated multiple events aimed at enhancing visibility and understanding among colleagues regarding various cultural, social, and identity-related themes.

We have hosted several colleagues' conversations within the organisation, allowing people to share their experiences on diverse topics. Some of our key events in this area celebrated:

- Race Equality Week
- Neurodiversity Week
- Mental Health Awareness for all genders
- South Asian Heritage Month
- Pride Month
- Black History Month
- World Menopause Day
- World Alzheimer's Month

Additionally, we have also arranged several 'time to talk' sessions for all colleagues to join remotely. Within these sessions we have discussed mental health and neurological conditions which impact colleagues in the workplace and how we can best manage them.

These sessions breakout into smaller groups and allow everyone to share their thoughts and experiences. These events serve as invaluable opportunities for dialogue, education, and celebration, enriching the organisational culture and strengthening interpersonal connections.

Allica is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of gender, race, colour, age, disability, sexual orientation or marital or civil partner status. Allica is committed to ensuring that people with a disability are afforded equality of opportunity with respect to entering into and continuing employment with Allica. This includes all stages from recruitment and selection, terms and conditions of employment, access to training and career development.

Recruitment

Allica's continued growth and product diversification has required a significant increase in the number of colleagues from 496 to 658 – an increase of 33%.

In 2023, we established a legal entity in India. Allica India Technology Services enables us to utilise the talent pools in India. We continue to see a significant amount of strong candidates through this, which has led to the headcount in this entity growing from 25 to 76 people during the year.

Develop the best

Whilst it is important for Allica to continue to attract the best talent from outside the business, it is also important that we support the development of our existing colleagues.

We ran the Allica Bank Management Foundations programme three times during the year. The programme allows both new and experienced managers to grow and develop their skills in order to become future leaders at Allica. It is not just internal schemes which have supported the development of colleagues during 2024; Allica has continued to invest in colleague development through external courses, subscriptions and platforms.

Through these initiatives, Allica promoted 61 colleagues during 2024, which is 9.3% of the colleague base, demonstrating that working for Allica truly accelerates your career development.

Our approach to transparency and colleague engagement

We default to transparency, so colleagues have access to any information that's relevant to them. We hold regular All-Bank meetings where people can share their opinions and ask questions of management.

All colleagues have a vested interest in our performance through our remuneration plans, which are a blend of bonus shares and joint share ownership plans. They're kept up to date with business performance through these meetings, as well as from frequent updates provided by the Executive team.

Section 172(1) statement

The Directors of the Bank act in good faith to promote the success of the Company for the benefit of its members as a whole and in doing so have regard (among other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Bank's employees.
- The need to foster the Bank's business relationships with suppliers, customers and others.
- The impact of the Bank's operations on the community and the environment.
- The desirability of the Bank maintaining a reputation for high standards of business conduct.
- The need to act fairly between members of the Bank.

The table below shows the key stakeholder groups identified by the Directors and how the Company satisfies the requirements under Section 172 of the Companies Act 2006.

Stakeholder group	How the Company adheres to S172
Colleagues	Allica actively monitors colleague engagement through regular anonymous surveys, the results of which are then shared with the Board along with any resulting actions. Monthly "All-Bank" calls occur enabling colleagues to submit anonymous questions which are addressed on the calls. Regular social events such as summer and Christmas parties, charity events and monthly drinks allow our colleagues to develop strong relationships particularly as a lot of them work remotely. Diversity and belonging are actively promoted with specific recruitment targets set for gender and ethnicity which are linked to variable remuneration for all colleagues. Additionally, Allica has a dedicated Diversity & Inclusion Committee.
Customers	The Board has continued to keep Consumer Duty considerations at the forefront of their decision-making. Our Board Consumer Duty champion along with the other Board members, consistently makes sure that the customer voice is at the centre of discussions where appropriate. Allica regularly seeks customer feedback through surveys and the results are reviewed by the Board along with any resulting actions. The customer is at the forefront of everything the Group does and the outcome for the customer of any action the Group takes is embedded in its processes and procedures.
Regulators	We have a transparent and open relationship with our regulators and the Chair of the Board, and other Board members meet with the PRA and FCA regularly. We also keep our Board up to date with management's interactions with regulators through regular financial, risk and strategic reporting.
Investors	Allica maintains a regular, open dialogue with its principal investors. Warwick Capital Partners, Atalaya Capital Management and TCV have each appointed observers who have the right to attend all Board committees. Long-term management incentive schemes are designed to align management's interests with those of the Group's investors.
Suppliers	We have several key business relationships with third parties. They provide a range of services from partnerships to platform tools. Allica recognises the importance of its suppliers to its success. Allica has a formal supplier management and outsourcing policy with all key suppliers having a named relationship owner, and regular bilateral senior meetings to review and strengthen relationships, with periodic updates on the most important relationships at Operations Committee.
Environment	We look at the impacts of running our business on the environment and the climate crisis and how we can mitigate them. Climate change is a key focus for the Board and is a standing agenda item for our executive committee. More details can be found in the "Environmental" section on page 41.

This Strategic Report was approved by the board and signed on its behalf by:

James Heath, Chief Financial Officer (7 April 2025)

Risk management

Overview

Allica operates with a 'Three-Lines-of-Defence' model and an enterprise-wide Risk Management Framework (RMF), both of which are centred on a well embedded risk management culture.

The RMF is designed and maintained by the risk function under the ownership of the Chief Risk Officer and ensures the governance, capabilities and tools remain in place and are effective to support decision-making across the organisation whilst giving appropriate consideration to risks.

The RMF is reviewed and approved annually by the Board.

While all Allica colleagues are responsible for managing risk, the Risk & Compliance function (acting as the Bank's second line of defence) provide oversight and monitoring of risk management activities, including the implementation of the framework and adherence to its supporting ongoing enhancements to policies, standards and operational procedures.

The Chief Risk Officer alongside the Chief Compliance Officer play an integral role in providing the Board with advice on the Group's risk profile, the performance of its controls, and provide challenge to strategic and tactical risks.

Part of Allica's risk management focuses on risk categorisation known as our risk taxonomy, with the most senior risk categories referred to as Principal Risks.

The risk taxonomy helps the Bank to set the standards and objectives for robust risk management as well as defining the division of roles and responsibilities. This also ensures a consistent approach to risk management across the Bank and aligns with the Group's overall strategic objectives.

The Board has approved 11 Principal Risks that represent the most material and impactful risks that occur in the day to day running of the Bank.

Each Principal Risk is supported by well documented frameworks, policies and practices which define the levels of tolerance to associated risks and provides a structured approach to risk taking. Additional information relating to Principal Risks is detailed later in this section.

Allica also operates with a process to identify and manage external and emerging threats which could have a negative impact on the Group's ability to meet its strategic objectives. Both external and emerging threats may incorporate aspects of, or correlate to, Principal Risks and/or other risks within our taxonomy and are regularly reported to appropriate risk committees including the Board.

Components of the risk management framework

The Risk Management Framework (RMF) represents the overarching framework established by the Bank to manage its risk profile, in line with the business strategy and objectives. It describes how risk management is established and implemented through all levels within the Bank.

The RMF supports the identification, measurement, monitoring, reporting and mitigation of risks across the business.

The key objectives of the RMF are to:

- Articulate the use of the Bank's risk tools and how we apply them to risk management. This ensures that the Board, senior management, and key stakeholders have a consistent and consolidated view of the Bank's risk management practices and approaches.
- Establish a comprehensive approach to support, organise and coordinate risk management activities.
- Align long term strategic objectives with shorter term, day-to-day risk management activities.
- Ensure that risk appetite statements and measures are established across the business and overseen by the Bank's Board, risk committees and senior management.
- Establish an effective flow of risk information through the organisation to enable monitoring and management of risk at various levels of seniority within the Bank.

The basis of all risk management is the adoption of a 'Three Lines of Defence' model.

First Line of Defence

The First Line of Defence (1LOD) is the business functions of the Bank comprising all colleagues who do not form part of the risk, compliance and internal audit functions. 1LOD remain responsible for identification, monitoring, and mitigation of risks. This entails:

- Managing risks within risk appetite as detailed in the Risk Appetite Statement (RAS) and Key Risk Indicators (KRIs).
- Identifying key risks and related controls in our business by regularly undertaking a Risk Controls Self-Assessment (RCSA).
- Assessing each risk within the RCSA on an inherent and residual post control basis; rating all risks and incidents using the Likelihood & Impact Classification Matrix.
- Regularly evaluating, testing and where necessary, enhancing key controls to confirm they remain appropriately designed, fit for purpose and operating effectively.
- Monitoring the performance of these controls and escalating any concerns or breaches of risk appetite to management and the Second Line of Defence.
- Escalating any emerging risks or incidents to the Second Line of Defence and beyond as per the escalation processes outlined within the RMF.

Second Line of Defence

The Risk and Compliance functions are Allica's Second Line of Defence (2LOD) who are responsible for:

- Developing and maintaining the RMF and RAS for recommendation by the Risk Management Committee (RMC) and approval by Board Risk Committee (BRC) and the Board.
- Formulation and execution of Allica's Assurance & Compliance Monitoring Plans (complementing the activity of Internal Audit) to assess effectiveness and adequacy of 1LOD testing and key controls.
- Maintenance of Allica's Risk Register, incident logs and causality and control libraries.
- Providing independent oversight, challenge and support of risk management activity conducted by the 1LOD.

Third Line of Defence

Allica's Chief Internal Auditor is responsible for the Third Line of Defence (3LOD). Internal Audit is an independent control function reporting to the Chair of the Board Audit Committee (an independent non-executive director).

The Internal Audit function in Allica is responsible for assessing and evaluating the effectiveness of risk management, control, and governance processes, providing independent assurance and oversight.

Risk appetite

Allica's risk appetite statement:

The Bank will take risks required to build and scale a business that is profitable and sustainable, even in times of stress, provided those risks are understood and can be managed. The Bank will not take risks that expose it to a material non-diversified loss event or risk significant damage to the brand.

Establishing an appropriate risk appetite is critical in supporting risk assessment, monitoring, and control activities. Its purpose is to establish clear rationale and parameters within which management can operate and helps colleagues understand the significance of risks faced by the Bank.

Allica's risk appetite is determined by the amount and type of risk we are willing to seek or accept.

The Board defines the overarching risk strategy and sets the appetite in consideration of the Bank's short and long-term objectives, prudential and conduct related requirements, whilst protecting the competitive advantage of our business model.

Setting the RAS is based upon qualitative statements which articulate the Board's attitude to respective risks and sets the foundations for risk management expectations. These statements are supported by quantitative and qualitative metrics which often have an associated risk appetite set in the form of triggers and limits.

The Bank operates with a well defined and embedded risk appetite. This allows the day-to-day management of the business to take place with informed and controlled risk taking. Our risk appetite provides clarity over how actions and activities are to be measured, monitored and mitigated where appropriate to remain within tolerance.

Principal risks

We consider our principal risks and their related responses, to be as follows:

Principal risk	Group's response to the risk
Capital adequacy The risk that Allica does not have adequate capital resources to meet minimum regulatory capital requirements and sustainably achieve the objectives of the corporate plan.	• Our internal capital target is determined by evaluating planned business growth, the business's risk profile, market expectations, and regulatory requirements. • We have established critical risk appetite limits for capital and leverage ratios. These are monitored proactively to ensure timely capital management actions, supporting business growth and ensuring adequate capital resources for forecasted growth. • Capital ratios are periodically tested under stress scenarios and continuously monitored based on actual and planned business growth. • A detailed ICAAP assessment is performed annually. • We continue to monitor the PRA's approach to the implementation of Basel 3.1 as well as the proposed regime for Small Domestic Deposit Takers. No decisions have been taken whilst we await further proposals from the PRA, noting that the PRA have delayed the Basel 3.1 implementation until 1 January 2027.
Liquidity The Risk that Allica could fail to meet its short-term obligations as they fall due, or future asset growth cannot occur because of an inability to obtain funds at a reasonable price within a reasonable time.	• In addition to monitoring and managing to prescribed regulatory metrics, we have established a set of forward-looking risk appetite metrics to ensure that obligations can be met under stressed conditions. These metrics, which include minimum required liquidity ratios, funding concentrations, and deposit maturities, are monitored daily. • The ALCO monitors these liquidity risk appetite metrics and relevant deposit market information. Additionally, a comprehensive ILAAP assessment is conducted annually.
Data risk The potential for harm or loss associated with the collection, transmission, or use of data.	• This involves identifying and mitigating emerging data risks to ensure data accuracy and reliability. • Rather than sporadic efforts, we have implemented a more structured approach in managing data risks. This includes enhanced reporting and visibility into data risks for better decision-making. • We have set up specialised teams who are continuously monitoring data breaks and performing reconciliation to source systems. • We have detailed documentation around the Group's data infrastructure and journey, ensuring that appropriate risk assessment can be performed to identify potential risks in data.

Principal risk	Group's response to the risk
Credit risk	
The risk of financial loss arising from a borrower failing to fulfil their contractual obligations on time and in full. The risk primarily crystallises by customers defaulting on lending facilities.	• We have established detailed and prudent guidelines and policies for lending, covering key areas such as Debt Service Cover and Loan to Value. Our credit risk appetite limits are set for factors such as the average probability of default, loss given default, and sectoral and single name concentration. • Credit risks are evaluated by experienced credit risk professionals, with support from our credit analytics team. • Our experienced portfolio monitoring team runs robust monitoring processes to proactively identify and address all risks related to individual borrowers. • The Board is continuously engaged in reviewing the loan book to ensure it is performing as expected and that risks remain within defined limits. • Macroeconomic risks are fully considered in our credit policy for origination and in portfolio monitoring.
Market risk	
The risk that Allica's earnings or economic value of equity or capital will underperform due to changes in interest rates or financial market asset prices. Allica's ability to manage market risks contributes to our overall capital management.	• Allica has limited appetite for exposure to interest rate risk in the banking book (IRRBB), in terms of both potential changes to economic value of equity or to expected net interest income or earnings. • Management regularly monitors exposures to price risk and market movements. • Market positions will only be taken for the purposes of liquidity management and hedging, and the Group does not operate a trading book.
Financial crime	
The risk of financial loss or reputational damage due to regulatory fines or penalties, restriction or suspension of business, or cost of mandatory corrective action because of failing to comply with prevailing legal and regulatory requirements relating to financial crime (which we define to include internal or external fraud, money-laundering, terrorist financing, bribery & corruption, and sanctions compliance, tax evasion).	• We have implemented comprehensive policies for anti-money laundering, sanctions, fraud prevention, and anti-bribery and corruption. These controls are embedded in our processes and systems, applied by skilled staff in the first line of defence, with oversight from first line management and second line assurance. • Our financial crime prevention tools enable us to manage risks more efficiently and effectively. • We conduct enterprise-wide risk assessments across all areas, with controls subject to a continuous improvement program. • The Group regularly engages with its regulatory supervisors and other industry bodies to manage this risk.

Principal risk	Group's response to the risk
Conduct risk Conduct Risk is the risk that the Bank conducts its business improperly, in a manner that is contrary to the fair treatment of its customers and maintenance of market integrity, whether on occasion or systemically. This includes customer detriment or poor outcomes caused by unsuitable products, poor service or process failures.	• The Conduct Risk Policy outlines the framework for ensuring fair treatment of customers and appropriate behaviour of employees in accordance with the FCA's Conduct Rules. • We have customer-focused policies and procedures in place that cover product approval, change management, complaint handling, financial hardship, and support for vulnerable customers • We monitor customer outcomes through close attention to Net Promoter Scores (NPS) and the feedback which we receive within those surveys and customer complaints. • Key governance committees regularly review and report on customer outcome measures.
Compliance and legal risk The risk of failure to comply with regulatory or legislative requirements resulting in regulatory censure, financial loss and reputational damage.	• A full suite of policies and processes is in place to support full compliance, and is continually updated. • Regulatory developments are actively tracked, analysed, and actioned. • Compliance training is undertaken for all staff, and policy and processes are validated for compliance and continuously revised and updated as regulation and regulatory expectations evolve. • Allica complies with all applicable laws, rules, regulations and sourcebooks, and has no appetite for regulatory breaches. The Group regularly engages with its regulatory supervisors and other industry bodies to manage this risk.
Operational risk Operational Risk is the risk of loss as a result of inadequacy or failure within internal processes, people, systems, or external events.	• Allica aims to maintain robust operational systems and controls and seeks a low level of operational risk. • The Group has detailed policies, procedures and controls in place which are designed to evaluate, monitor and report these risks. • We have developed mitigation plans to minimise the impact of losses sustained in the normal course of business (expected losses) and to avoid or reduce the likelihood of sustaining a large, extreme (or unexpected) loss.

Principal risk	Group's response to the risk
Model risk The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to a firm's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.	• Allica recognises the risks inherent in reliance on models, specifically of running levels of risk in excess of those generally deemed acceptable. • The Bank has a low appetite for model risk, based on the desire to ensure that model limitations are understood by model users and decision makers. • Metrics and status on model validation is reported to and reviewed at governance committees, including any remediation plan, where relevant. • Model validation and performance monitoring is performed periodically.
Business and sustainability risk The risk of adverse events, conditions and environmental, social, and governance (ESG) factors that may disrupt the Bank's operations, impact financial performance, or harm its reputation, affecting the Bank's ability to operate responsibly and sustainably over the long term.	• We have established a governance framework to ensure climate change risks are deliberated at senior levels within the business, led by the responsible ExCo member for ESG. • Carbon emission reporting is provided to management with reduction targets. • Physical and transitional risk assessments and scenario modelling have been undertaken. • Climate considerations have been included in lending policies. • Risk to business strategy including the alignment between strategic business planning activities and risk appetite. • Geopolitical risk is monitored and reflected in stress testing and scenario analysis. • Macroeconomic events which may have an adverse impact on markets which we operate in are monitored through stress testing and monitoring through ALCO. The Bank operates with several Early Warning Indicators linked to macroeconomic performance.

External and emerging risks

In addition to the risks outlined above, there are risks not considered principal risks that are worth of note. These include:

External/emerging risk	Risk description
Climate risk	Physical and transitional risks arising from climate change. No specific concentrations have been identified however as industry practice and regulation continues to evolve, it is closely monitored.
Regulatory change	With the impending introduction of the Basel 3.1 reforms including removal of the SME support factor and the introduction of SDDT standards, this risk is already assessed as real and potentially means that Allica will have to hold more capital (depending on how the SME lending adjustment is implemented), increasing the cost of lending and leading to higher borrowing costs for small businesses. More generally, alterations or modifications made to existing laws, rules, policies, or regulations by governmental bodies or regulatory authorities, can involve the introduction of new regulations, amendments to existing ones, or the repeal of outdated regulations.
Maintaining returns	Due to competitive pressures, the ability to maintain returns in the face of competition from other lenders who may trade volume for price.
Macroeconomic risk	Lower Bank of England Base Rates can negatively impact the revenue that we earn from our interest bearing products. High inflation also has an impact on the cost of living for our customers and can put pressure on their ability to service their obligations. Monetary policy decisions impacting employee national insurance contributions & minimum wage thresholds may have a similar effect as our customers face rising costs. This could lead to falling demand for our products.

Financial crime

Anti-financial crime measures

At Allica Bank, we recognise the profound impact that financial crimes – which include money laundering, terrorist financing, tax evasion, bribery and corruption and sanctions breaches – can have on local communities and the world at large. Our commitment to ethical banking goes beyond financial transactions; it extends to safeguarding the well-being of the communities we serve and contributing to the national fight against illicit activities.

Financial crimes pose a direct threat to the stability and prosperity of local communities. Money laundering can fund illegal activities, jeopardising the safety and livelihoods of our neighbours. We acknowledge that tax evasion deprives governments of vital resources needed for public services, education, and healthcare. Bribery and corruption erode the foundations of fair competition and trust, hindering economic growth and development. Sanctions breaches not only violate international laws, but also contribute to geopolitical instability. Allica Bank condemns such practices and is committed to maintaining the highest standards of transparency and integrity in all its operations.

As a responsible financial institution, we wholeheartedly acknowledge our duty to actively prevent, detect, and report financial crimes. In order to fulfil this commitment, we have established a robust financial crime framework which encompasses the following measures, designed to be proactive, reflecting a focus on staying ahead of evolving risks.

- **Policies:** A robust financial crime policy is maintained and supported by broad processes and governance measures.
- **Customer onboarding:** Every new customer undergoes a thorough onboarding process that evaluates their background, financial history, ensuring we comply with regulatory requirements.
- **Continuous monitoring:** We implement continuous monitoring mechanisms to dynamically assess the activities of our customers, enabling detection of suspicious or non-compliant behaviour.
- **Training and awareness:** Ongoing training programmes and awareness initiatives equip our colleagues to stay informed about, and alert to, the latest developments in financial crime and strengthen our collective ability to combat illicit activities.
- **Regular audits and assurance activities:** We conduct regular audits and assessments to evaluate the effectiveness of our financial crime prevention measures, allowing us to refine and enhance our approach on an ongoing basis.
- **Governance and oversight:** Comprehensive metrics and supporting information are reported to keep senior management and the Board updated on key indicators and trends related to financial crime. This transparent reporting mechanism also underpins senior management accountability.

Modern slavery

Our commitment to human rights and the ethical treatment of our colleagues, suppliers and customers is fundamental to who we are and what we stand for. Acting with integrity in all our business relationships is a core value and we continually demonstrate this with our implementation of systems and controls to ensure slavery and human trafficking is not taking place anywhere in our business or supply chains.

Several policies are in place to facilitate this, including our supplier onboarding, financial crime, anti-bribery and corruption, and whistleblowing policies. We also actively engage with new suppliers to identify and mitigate any risk of human trafficking or modern slavery in our supply chain, and we continue to monitor those risks throughout the course of our long-term relationships.

Environmental, Social and Governance

Environmental and social

We believe that our core purpose of serving established SMEs is a social and environmental good.

Allica Bank exists to serve the UK's few hundred thousand established SMEs that collectively represent around a third of the economy.

Each UK town has a few dozen of these ESMEs, and they are crucial pillars of each local community.

As such, we believe that our core purpose of delivering the business banking that ESMEs deserve is a societal good, and an environmental one too, as activities stay local.

We also support levelling up, as around 80% of our lending is to SMEs outside London, and in 2024 we collected further insight on how our lending supports local economic growth.

However, we do not believe that our social and environmental obligations should end there. Our own activities directly impact the environment, such as our infrastructure and transport emissions. Our activities also impact the environment indirectly, such as through the impact of our lending policies. Equally, we want to give back to the local communities we serve.

2024 has been a year of continued progress in our environmental and social activities, notably from setting out our Net Zero ambitions for the first time, alongside our first reporting of Scope 3 Financed Emissions.

2024 at a glance

Net Zero

We set out our Net Zero target date of 2050 for the first time

Over 80,000 jobs supported

The contribution of our lending to the wider economy

#ITSOKAYTOTALK

Our colleagues raised £19,149 for our charity partner, Andy Man's Club

Bankers for NetZero

Supporting the Bankers for Net Zero (B4NZ) SME Data Taskforce

Our impact on the environment

We want to build an environmentally responsible bank, which means aligning to climate change regulation and best practice, as well as supporting our SME customers in adapting to environmental change.
By far the Bank's largest source of greenhouse gas emissions is financed emissions, meaning those that arise indirectly from our lending to ESMEs (Scope 3.15 emissions in the Greenhouse Gas Protocol taxonomy). Whilst this skew is common for banks, it is more so for Allica given that our branchless model limits our direct operational emissions.

As such, Financed Emissions have been central to our thinking about the Bank's Net Zero goals, and our progress towards measuring them in 2024 has created a foundation on which to set a Net Zero target date of 2050, in line with the UK government's target.

Part of the rationale for 2050, is that substantively reducing our financed emissions will rely on the decarbonisation of the UK electricity supply and on developing commercially-viable, low-carbon alternatives across certain key economic sectors such as freight, agriculture and construction, which is beyond our ability to influence (or of our SME customers to meaningfully influence).

We also recognise that there can be a trade-off against our social purpose, as too rigid a policy on financing emissions will, until these viable alternatives exist, inhibit our ability to support SME businesses, and hence local communities.

Related to this is our growth in loans, which reflects a wider UK trend of retrenchment from SME lending by the major high street banks. 60% of new SME lending is now carried out by specialist and challenger banks like Allica, according to the government's British Business Bank. Because we believe that it is important that we continue to support the crucial ESME segment with new lending, we expect our absolute emissions to grow and so see carbon intensity as the primary lens through which to measure emissions and understand how we decouple growth from greenhouse gases over time.

During 2025 we will continue to mature our capabilities with regards to our Net Zero plans, including further enhancement to our measurement of financed emissions, and an intention to set interim targets for our operational emissions.

We've also continued to progress initiatives aimed at helping our SME customers adapt to environmental change, including our support for Project Perseus – an industry initiative to develop a rapidly scalable, low-friction sustainability reporting solution for SMEs, as well as being members of the SME Data Taskforce of Bankers for Net Zero (B4NZ), which is the UK Chapter of the Net Zero Banking Alliance (NZBA).

Our path to Net Zero

In this year's Annual Report, Allica has set out its commitment to Net Zero for the first time.
In line with the UK government's target to decarbonise the country by 2050, Allica commits to the same timeframe.

Net Zero by 2050

Overleaf we set out our current emissions through Streamlined Energy & Carbon Reporting (SECR) disclosures, alongside rationale behind our Net Zero target.

Task Force for Climate-related Financial Disclosures (TCFD)

Governance	Progress during 2024
Board's oversight of climate related risks and opportunities	The Board has overall responsibility for Environmental, Social, & Governance (ESG) risks at Allica, of which risks from climate change are a key component. Reports on climate change risk and opportunities are a quarterly agenda item at the ExCo, and a standing agenda item for the Board bi-annually.
Management's role in assessing and managing climate related risks and opportunities.	Assigned responsibilities within the management team are dedicated to monitoring climate-related risks, ensuring that these responsibilities are closely tied to the institution's broader risk management strategies. The Chief Risk Officer (CRO) has direct oversight over climate risks, with responsibilities cascaded to the Head of Enterprise Risk & Policy.

Strategy	Progress during 2024
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	In the short term, risks related to regulatory changes, including evolving environmental policies and standards, e.g. minimum energy efficiency standard (MEES) for all commercial properties must have an EPC rating of at least E in England & Wales. The Scottish EPC rating scale differs to England and Wales, therefore we look for commentary from the assessor to see how it translates to an England & Wales scale where possible and ensure it is in line to an E rating or equivalent. Over the medium term, the shift in consumer preferences towards sustainable and environmentally responsible financial products presents an opportunity for market expansion. In the long term, the transition to a low-carbon economy poses significant challenges and opportunities in terms of market positioning and financial performance.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	We incorporated climate risk into our risk management framework. Environmental scores and factors related to specific sectors are defined in our Credit Appetite, where we will not lend to borrowers that operate in sectors with a high environmental impact. We consider other climate risks, such as flood risks from rivers, sea and surface water when completing credit assessments. In the period, we launched a green financing product to our customers as well as partnering with Octopus Electric Vehicles to offer our UK-based colleagues the ability to lease a new electric car via a salary sacrifice arrangement. We continue to assess opportunities to develop propositions that support our customers' investment in initiatives that reduce their impact on the environment.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	In 2024, we had an external third party undertake an analysis of our back book, looking at our exposures to floods, subsidence and soil erosion. The reports have deemed that Allica's exposure up until 2080 is limited.

Task Force for Climate-related Financial Disclosures (TCFD) (continued)

Risk management	Progress during 2024
Describe the organisation's processes for identifying and assessing climate-related risks.	We have assessed the impact of climate risk on all the key principal risks of the Bank. We have started to undertake scenario analysis to understand the potential impacts of climate risks on our strategy.
Describe the organisation's processes for managing climate-related risks.	Allica has integrated environmental risks including the energy performance of a property to be held as security, the risk of flooding, and any sector-specific or business-specific environmental concerns into the Risk Appetite Statement (RAS) of the Bank and underwriting assessment.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change has explicitly been incorporated into the RAS, lending policy and new product approval process. Climate change has been incorporated into various policy documents with relevant risk categories described under the risk management framework.

Metrics and targets	Progress during 2024
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics used by Allica for climate related risk: - EPC ratings (transition risk) and Flood risk mapping (physical risk) embedded into the risk management framework. - Evaluating environmental score for each sector sourced from IBIS World data. Allica's Score falls under "moderate low" bucket.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	This is the second year for Allica to disclose its Scope 1 and 2 emissions and the first year to disclose certain relevant Scope 3 emissions categories: business travel, employee commuting & homeworking, and financed emissions. Scope 3 financed emissions cover 65% of Allica's balance sheet (86% of Allica-originated loans).
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	This was the first year for Allica to integrate climate risk into the risk management framework. EPC ratings, flood risk mapping and environmental sector scores are part of credit assessment already. We have an ambition to embed climate risk into our risk management framework to better serve our SME customer and help them transition towards a Net Zero economy.

Streamlined Energy & Carbon Reporting (SECR) - Financed Emissions

Our approach to Financed Emissions

In 2024/5 Allica started developing financed emissions measurement capabilities, in accordance with Partnership for Carbon Accounting Financials (PCAF) methodology. Initial analysis focused on property-related lending and vehicle finance, establishing a baseline for over 90% of Allica-originated lending or over 60% of the total customer balance sheet, which also includes forward-flow and acquired portfolios.

Allica recognises that it has a role to play in helping its SME customers transition to greener vehicles and properties; however, current challenges on data quality and high dependence on external factors such as policy and customer behaviours are material limitations to setting targets or developing measurable actions within Allica's control.

In the near term, Allica remains focused on:

- **building SME awareness and capabilities** through industry efforts to establish SME carbon reporting standards such as SME Taskforce of Bankers for Net Zero and Project Perseus.
- **delivering our core social purpose**, lending only to ESMEs and not providing services to any businesses heavily involved in extractive industries.
- **offering greener lending** via enhanced loan pricing on commercial premises with strong EPC ratings.
- **developing financed emissions capabilities** by expanding balance sheet coverage and looking to gradually improve PCAF data quality scores over time.
- **monitoring external factors** such as UK policy and the needs of our SME customers.

Financed emissions and emissions intensities have been estimated in accordance with PCAF methodology for Allica-originated property lending and vehicle finance balances as of 31 December 2024.

PCAF provides a methodology for attributing a data quality score to financed emissions estimates, recognising the current challenges surrounding customer and asset-level data accuracy and availability. The scale runs from 1 (best) to 5 (worst). Allica has provided PCAF scores for each portfolio which are in the middle-to-poor range, reflecting current emissions data limitations and challenges in the UK Property and SME sectors.

Property-related Lending: The relevant PCAF European Building Emission Factor was identified from the property type, location and EPC band and multiplied by the property's floor area. Where EPC band was not available, PCAF average emissions factor for that property type was used. Where floor area was not available, the relevant PCAF building-level emissions factor was used. EPC bands were available for over 60% of properties and floor area was recorded for over 80%.

Asset Finance: In line with PCAF recommendations for Motor Vehicle Loans, Allica's vehicle financed emissions estimates include a vehicle's tailpipe emissions, "well-to-tank" (WTT) emissions and, for battery electric vehicles (BEVs) or plug-in hybrid electric vehicles (PHEVs), the annual emissions associated with charging the vehicle using UK grid electricity and the emissions relating to electricity transportation and distribution (T&D) losses through the grid. Where official vehicle-specific emissions factors were available from Vehicle Identification Numbers and Numberplates, these were used for tailpipe emissions. Official UK Government emissions factors were used for WTT, UK Grid Electricity and T&D estimates and for tailpipe emissions where direct vehicle data was unavailable. Department for Transport and other external sources were consulted to obtain regional annual mileage averages for different vehicle types as this information is not typically collected by Allica at an asset level.

Streamlined Energy & Carbon Reporting (SECR) - Financed Emissions (continued)

The results of our estimated financed emissions are presented below:

2024 Financed Emissions

Financed Emissions as at 31 December 2024 [1]	Balance at 31/12/2024 (£'m)	Financed Emissions (tCO2e)	Data quality score [2]	Physical Emissions Intensity Unit	Physical Emissions Intensity tCO2e/unit	Economic Emissions Intensity tCO2e/£'m
Property-related Lending [3]						
Business loans secured on property	881	24,209	3.7	kgCO2e/m2	33.5	27.5
Commercial Investment	819	17,843	3.6	kgCO2e/m2	32.9	21.8
Total Property-related Lending [4]	**1,700**	**42,052**	**3.7**	**kgCO2e/m2**	**33.3**	**24.7**
Asset finance						
Asset Finance - Vehicle Finance	263	53,604	3.6	kgCO2e/m2	0.6	203.7
Asset Finance - Non-emitting Assets	54	-	n/a	kgCO2e/m2	-	-
Total Asset Finance	**317**	**53,604**	**3.6**	**kgCO2e/m2**	**0.6**	**168.9**
3rd Party Originated Lending [5]						
Non-property business lending	N/A	N/A	N/A	N/A	N/A	N/A

1. Financed emissions and emissions intensities have been estimated in accordance with PCAF methodology for Allica-originated property lending and vehicle finance balances as of 31 December 2024. Emissions reported here relate to 97% of Allica-originated property-related lending and 75% of Asset Finance balances (with remaining asset finance balances not yet having an established PCAF methodology). In total, Allica now reports emissions for 86% of the lending it originates, giving total balance sheet coverage of 65%.

2. PCAF provides a methodology for attributing a data quality score to financed emissions estimates, recognising the current challenges surrounding customer and asset-level data accuracy and availability. The scale runs from 1 (best) to 5 (worst). Allica's scores reflect current emissions data limitations and challenges in the UK Property and SME sectors.

3. Property-related Lending: The relevant PCAF European Building Emission Factor was identified from the property type, location and EPC band and multiplied by the property's floor area. Where EPC band was not available, PCAF average emissions factor for that property type was used. Where floor area was not available, the relevant PCAF building-level emissions factor was used. EPC bands were available for over 60% of properties and floor area was recorded for over 80%.

4. Asset Finance: In line with PCAF recommendations for Motor Vehicle Loans, Allica's vehicle financed emissions estimates include a vehicle's tailpipe emissions, "well-to-tank" (WTT) emissions and, for battery electric vehicles (BEVs) or plug-in hybrid electric vehicles (PHEVs), the annual emissions associated with charging the vehicle using UK grid electricity and the emissions relating to electricity transportation and distribution (T&D) losses through the grid. Where official vehicle-specific emissions factors were available from Vehicle Identification Numbers and Numberplates, these were used for tailpipe emissions. Official UK Government emissions factors were used for WTT, UK Grid Electricity and T&D estimates and for tailpipe emissions where direct vehicle data was unavailable. Department for Transport and other external sources were consulted to obtain regional annual mileage averages for different vehicle types as this information is not typically collected by Allica at an asset level.

5. Financed emissions from 3rd party-originated relating to Allica's forward flow lending portfolios are not available at present.

Streamlined Energy & Carbon Reporting (SECR) - Operational Emissions

Our approach to Operational Emissions

This page includes our Streamlined Energy and Carbon Reporting (SECR) and wider GHG emissions inventory for the period 1 January 2024 to 31 December 2024. Emissions are calculated by applying appropriate conversion factors (mostly UK Government ones) to activity data where available, with exceptions highlighted in the footnotes.

In 2024, Allica focused on expanding its emissions inventory, measuring four categories of Scope 3 emissions for the first time. It intends to further expand to incorporate supplier emissions, a material category, in 2025. Allica has no scope 1 emissions (following a reclassification of the negligible emissions reported in 2023) and scope 2 emissions are from its share (by floor area) of electricity in the serviced offices it uses. No specific actions were taken to reduce emissions in 2024: the serviced offices all purchase renewable electricity, backed by guarantees of origin, to minimise emissions. We have not incorporated employee commuting and homeworking emissions into our target as we do not feel we have – or should have – high influence over this.

We intend to start measuring our supply chain emissions, the final material category of scope 3, in 2025.

Emissions reporting	2024	2023	YoY Change
Scope 1 emissions [1]	**tCO2e**	**tCO2e**	**%**
Air-conditioning (A/C) emissions	-	0.05	
Total scope 1 emissions	**-**	**0.05**	
Scope 2 emissions [2]			
Scope 2 location-based emissions	16	21	(24)%
Scope 2 market-based emissions	11	14	(24)%
Total scope 2 emissions	**27**	**35**	
Scope 3 emissions			
Upstream emissions associated with scope 2 electricity [3]	5	Not measured	
Business travel [4]	414	Not measured	
Employee commuting and homeworking [5]	513	Not measured	
Financed emissions	95,656	Not measured	
Total Scope 3 emissions	**96,588**	Not measured	
Emissions intensity [6]			
Scope 1 & 2: location-based	-	0.1	(44)%
Scope 1 & 2: market-based	-	0.0	(45)%
Office and business travel (scope 1, 2, 3.6): location-based	1	Not measured	
Office and business travel (scope 1, 2, 3.6): market-based	1	Not measured	
Energy consumed	**kWh**	**kWh**	**%**
Scope 1 and 2	78,566	101,228	(22)%

Emissions were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard using the operational control approach. Appropriate conversion factors (mostly UK Government ones) were applied to activity data for the relevant financial year, with exceptions highlighted in the below notes.

1. Following a review of Allica Bank's operational control boundaries in line with the GHG Protocol Corporate Standard, emissions from air conditioning (A/C) leakage, previously reported under Scope 1, were reclassified as Scope 3 Category 8 (Upstream Leased Assets). As no data was available on leakage and estimates produced in 2023 were negligible, these emissions have now been excluded on materiality grounds.
2. Relating to Allica's estimated share of electricity used in the serviced offices it rents, based on building-level utilities data apportioned based on floor area. 2024 data was not available for our London office and so 2023 figures were used as a proxy and will be updated in future disclosures. Overall, year-on-year comparisons for Scope 2 are challenging due to minor errors discovered in the 2023 calculations and a lack of data / materiality to enable or warrant recalculation. Market-based emissions take account of renewable electricity purchased by the building lessor.
3. Well-to-tank and Transmission & Distribution losses. On a market-basis these are 3.2tCO2e.
4. Business travel figures include well-to-tank and transmission & distribution losses. Spend data was used to estimate emissions related to London Underground and Taxi travel; distances used for flights, rail and business mileage.
5. Based on estimated data from average monthly number of employees and colleague surveys. Where official emissions factors were not available, e.g. for India homeworking emissions, these were estimated using recognised grid intensity data (source: Ember Energy) and applying assumptions around home cooling activity. Commuting emissions relate to UK only (all Indian colleagues are homeworkers) and include well-to-tank and transmission & distribution emissions where relevant.
6. Intensity ratios have been calculated using the monthly average of Full Time Equivalent (FTE) employees during the year (574 for 2024, 416 for 2023).

Risk management of climate change

Climate change has explicitly been incorporated into the Risk Appetite Statement (RAS), lending policy and new product approval process.

The Bank's risk management processes involve effective decision-making to mitigate, transfer, accept, or control climate-related risks. Allica has conducted a gap analysis with the help of external consultants to determine what climate data gaps exist. We have also performed an initial review of the physical and transition risks, and opportunities arising from climate change against the risk taxonomy (e.g. credit risk, financial risk, operational risk, and conduct risk).

The Bank considers that there are two primary climate related risks, being physical risk and transition risk. These risks manifest themselves in credit, operational and market risks that could lead to expected and unexpected financial losses.

Physical risk refers to the potential hazards and damages posed to properties or assets, as a result of various environmental factors. These risks can significantly impact our credit assessments for commercial property lending, thereby influencing lending decisions. Flood risk, subsidence and coastal erosion are a few examples of physical risk.

Allica's lending portfolio is inherently exposed to flood risk, especially in regions prone to the risk. The Bank has undertaken an exercise to map flood risk based on the vulnerability of properties to flooding by region, and we are building capabilities to improve flood risk monitoring and include subsidence and coastal erosions as a part of our Risk Management Framework (RMF).

Transition risk refers to the financial risks associated with the transition to a low-carbon economy, and the potential impacts of changes in policies, market conditions, and technology advancements on the value of assets, as well as changes to energy prices and the associated impact on income and creditworthiness of borrowers.

Allica regularly assesses its lending appetite, including considerations for both physical risk and transition risk. For example, the Bank has restricted lending to properties with an Energy Performance Certificate (EPC) rating worse than E for properties in England and Wales and has also provided a pricing discount for properties with an EPC rating C or above.

Allica considers the key risks arising from climate-related issues is increased credit risk in our loan book, as the crystallisation of these risks and changes in related regulation could impact the ability of the Bank's customers to repay or refinance, resulting in an increase in probability of default (PD) and loss given default (LGD). Allica considers climate-related risks as part of its underwriting processes, with actions taken where required to reduce the Bank's exposure to credit risk.

Our contribution to the UK economy

Allica Bank exists to serve the UK's few hundred thousand ESMEs, that collectively represent around a third of the economy. As such, we believe that our core purpose of delivering the business banking that ESMEs deserve is a societal good, by supporting local employment and prosperity.

To begin to measure this, we have commissioned a report by research consultancy Oxford Economics, a leading global economics advisory firm. The research by Oxford Economics focusses on measuring the wider impact of Allica's lending on the UK economy, both at a national and regional level.

The research covered our three major organic lending products, namely business loans secured on property, commercial investment mortgages and asset finance, and looked at the impact of our outstanding lending to date, as at 31st December 2024.

The estimate of jobs supported by Allica's lending to SMEs comprises a combination of those working within the SMEs that we have lent to, as well as jobs supported within the supply chain and from wage-financed spend in local communities where SMEs reside.

The full research report by Oxford Economics is expected to published during the second quarter of 2025.

National impact

OXFORD ECONOMICS

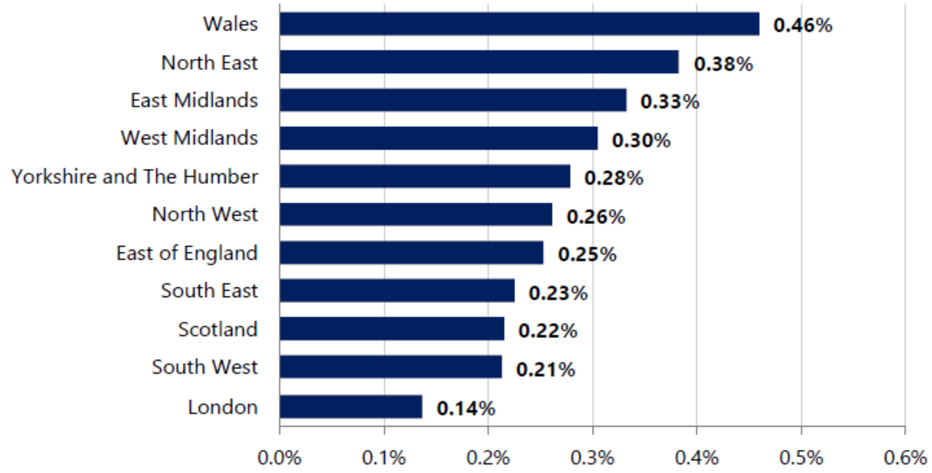
Over 80,000

The number of UK jobs that Oxford Economics estimate that Allica supported in 2024 through its outstanding SME lending, to date.

Regional impact

Oxford Economics also found that lending by Allica falls disproportionately outside London compared to national SME lending averages, which we believe underscores the reach of our branchless but local operating model.

Total employment contribution arising from Allica's lending[1], as a share of regional total in 2024



Source: Allica Bank, Oxford Economics

1. Mainland Britain only. as Allica Bank does not have an active presence in Northern Ireland at present.

Our support for charity

During 2024, our colleagues raised an incredible £19,149 to support our charity relationship with Andy's Man Club, a men's suicide prevention charity. Some of the fundraising events which took place during the year included:

Nine of our colleagues took part in a one-day 30km triathlon-style challenge to raise money for Andy's Man Club and Air Ambulance UK.

Six Allica colleagues ran the Manchester half marathon to raise money for Andy's Man Club.

Our colleagues raised funds for charity by taking part in our Christmas jumper day event, as well as choosing to donate their Christmas hampers to charity.

Our support for local communities

Local community events

During 2024, we sponsored two local sporting events across the UK, the 2024 World Conker Championships and the World Stone Skipping Championships. These unique events help make our local communities special, just like the established businesses we serve.

We see these events as important drivers of business for local pubs, hotels and other businesses, which Allica wants to support in as many ways as we can.

Grassroots sports

Established and grassroots sports are both vital parts of local communities. They bring people together, provide vital services and represent the very best of what Britain has to offer.

As such, Allica supports grassroots sports, building on our #SupportUs campaign to celebrate the ambition and resilience that unites sports players and business owners across the UK.

We have sponsored a range of different grassroots sports this year, including Thetford Town Cricket Club and Shefford Saints Reds U13s, allowing young boys and girls to take part in sports with the right equipment and kit.

Governance

Allica continues to be committed to achieving high corporate standards, rooted in a robust governance structure with clear individual lines of accountability and committee oversight responsibility.

The Board recognises that effective governance is necessary to facilitate purposeful decision-making and to ensure that the business strategy is implemented for the benefit of shareholders and other stakeholders. Allica fully complies with the Senior Managers & Certification Regime by clearly conveying the roles and responsibilities of all senior management functions in individual Statements of Responsibility.

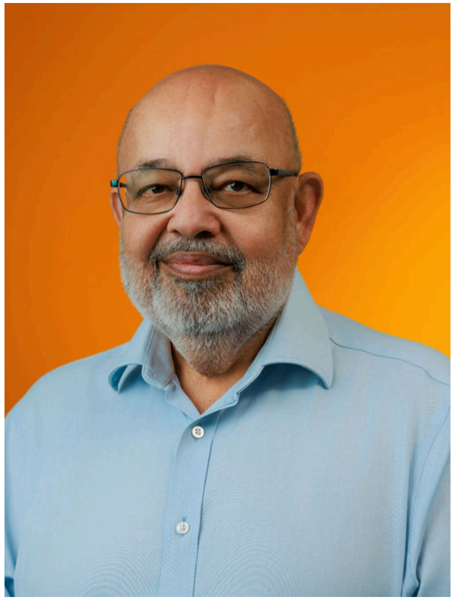
Meet our Board of Directors

John Maltby
Chair

Alongside his Chair role, John is also Chair of West Bromwich Building Society, Chair of Max Nicholas Renewables and is a NED of Nordea Bank. He has been CEO of Williams & Glyn and Group Director of the Commercial Bank of Lloyds Banking Group during his extensive executive career.

Richard Davies
Chief Executive Officer

Alongside his CEO role, Richard is a NED on the group board of UK unicorn payments fintech Zepz. Previously, Richard was group COO at digital bank Revolut, the inaugural CEO of OakNorth, and held senior leadership roles at TSB and HSBC.



Rajan Kapoor
Chair of the Audit Committee

In addition to his roles at Allica, Rajan is a non-executive director at OneSavings Bank and Revolut Newco UK Limited. He was Group Financial Controller of Natwest Group (formerly Royal Bank of Scotland Group) and held a number of senior finance positions in a 28-year career with Natwest Group.

Paul Marston
Chair of People & Remuneration committee and Non-Executive Director

Paul is currently CEO of the FSE Group, previously holding senior roles at Secure Trust Bank and NatWest Group including Lombard. Paul is also the Allica Board Consumer Duty Champion.

Meet our Board of Directors

James Heath
Chief Financial Officer

Prior to joining Allica, James has been CFO of ABN AMRO UK, founding CFO at Cambridge & Counties Bank and Finance Director, Banking at Close Brothers.

Patrice McDonald
Chair of the Risk Committee and Senior Independent Director

Alongside her roles at Allica, Patrice is also the Non-Executive Chair of the Board of TD Global Finance and TD Bank (Europe), and the Chair of the Risk Committee at Brown Brothers Harriman Trustee Services. She has previously been a Non-Executive Director of Simcorp PLC and the Non-Executive Chair of Marshall Wace's Super ManCo. During her executive career, she was the Global Chief Risk Officer & Head of Governance at Barclays Wealth and Barclays Capital.

Tracy Dunley-Owen
Non-Executive Director

Alongside her role at Allica, Tracy acts as a non-executive director at a number of other companies, including Euroclear UK & International Limited and Simplyhealth, as well as previous roles with companies such as AIB Group (UK) plc and Sun Life Assurance Company of Canada (UK) Ltd.

Patrick Magee
Non-Executive Director

Following an extensive career with JP Morgan Cazenove, Patrick worked for ten years on the establishment and growth of the British Business Bank, where he was Chief Commercial Officer. Alongside his role at Allica, Patrick is also the Chair at PowerRoll, a SID at International Biotechnology Trust, a NED at Edge Capital and a Non Executive Member of NI Civil Service Board.

Meet our Executive Team

Niv Subramanian
Deputy Chief Executive Officer

Prior to joining Allica, Niv was General Manager and CFO at Previse. Before that Niv has been responsible for UK and global business lines at HSBC, Barclays and TSB, and was part of the Executive team that built and received the licence at Oaknorth Bank. Niv was also founder and CEO of Economyz, a green startup.

Nick Baker
Chief Commercial Officer

Nick has over 15 years of experience working with brokers in the financial space, having spent almost 12 years as a Director of broker firm Christie Finance before joining Allica.

Conrad Ford
Chief Product & Strategy Officer

Conrad was founder and CEO of Funding Options, having previously been COO for Barclays subsidiary ClearlyBusiness and Product & Marketing Director at Validis.

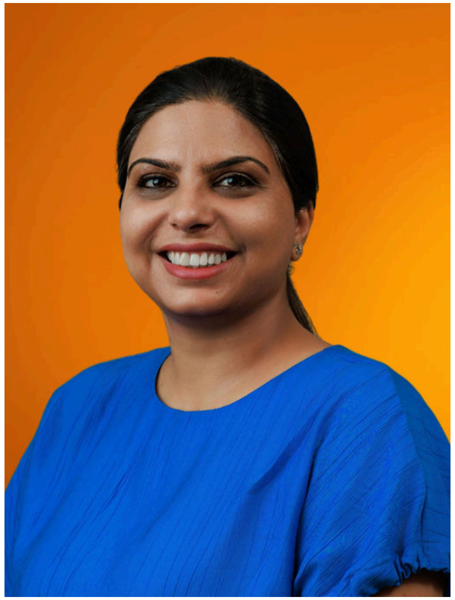
Kate Valdar
General Counsel & Company Secretary

Kate has over 18 years of experience working as a corporate and commercial lawyer. Most recently, Kate worked as General Counsel and Company Secretary at Tandem Bank.

Meet our Executive Team

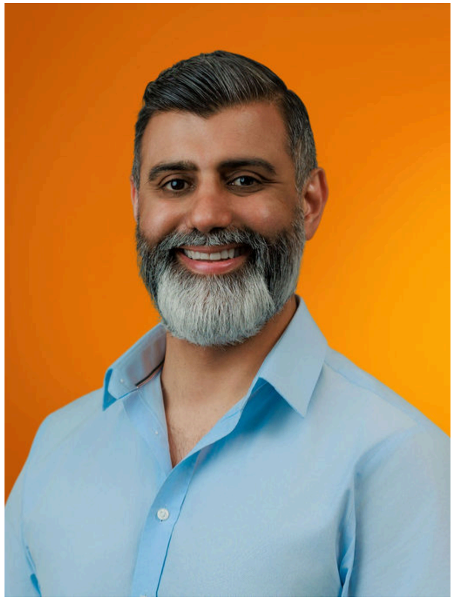
Alan Dunmur
Chief Risk Officer

Alan has over 20 years of experience in financial services, most recently as director of financial risk at Monzo. His experience includes senior positions held at the Bank of Ireland, Tesco Bank and RBS.



Ravneet Shah
Chief Technical Officer

Ravneet joined Allica in January 2020 as a lead engineer and is now our Chief Technology Officer. Previously she has worked at Santander, Teradata and Infosys.



Mitch Trehan
Chief Compliance Officer

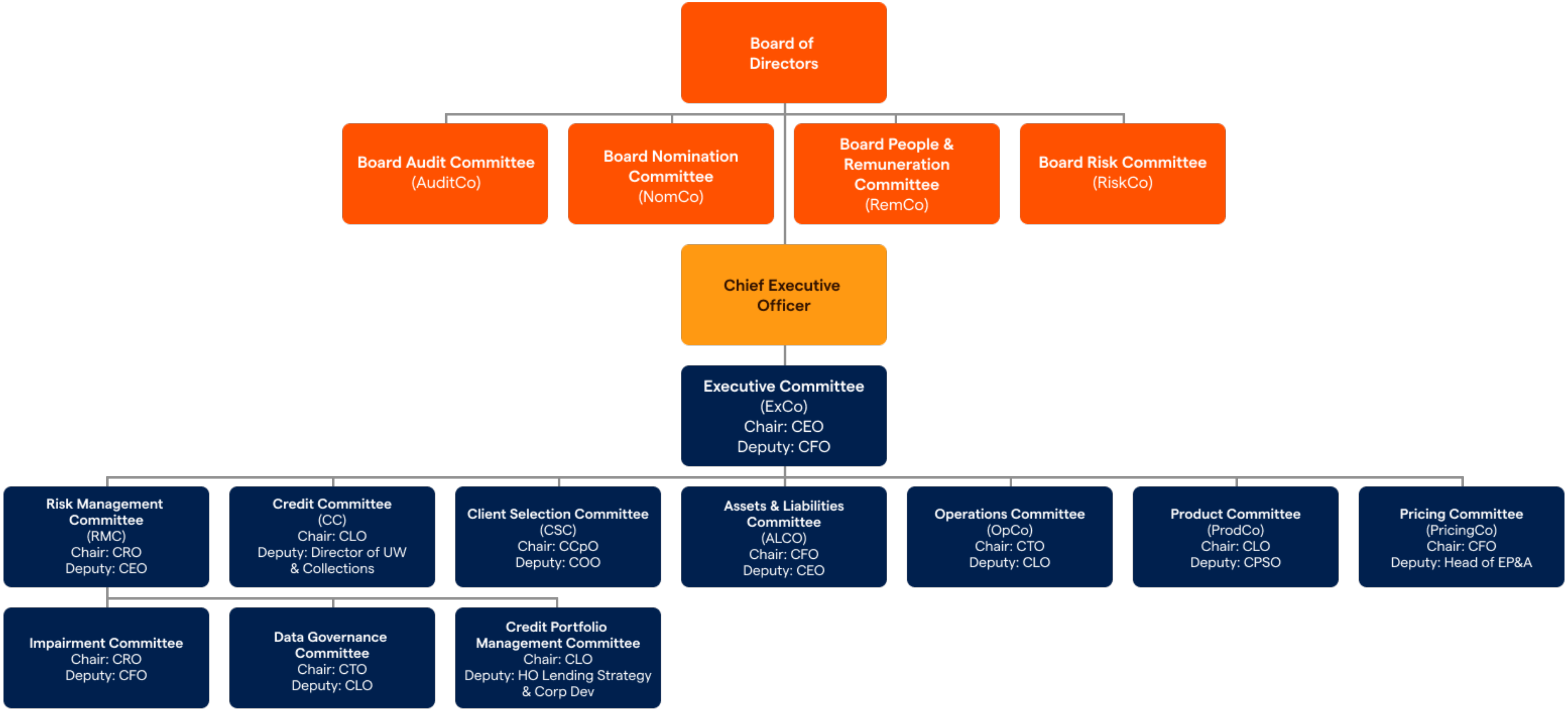
Mitch has held senior positions at Citi, Barclays and JP Morgan, and is Chair of the Interbank Payment Policy Committee for UK Finance.

Patricia Otegui
Chief Internal Auditor

With 25 years experience working in financial services, Patricia has previously managed Internal Audit at HSBC and Santander.

Organisational framework, responsibilities and controls

The Board has established a framework of Board and Management Committees to enable efficient and effective management and control of the business as shown here.



The Board is the governing body of the Bank with ultimate responsibility for the performance and oversight of the business. The Board elects, from amongst its independent non-executive Directors, a Chair and appoints a separate CEO and other Executive Management to support the CEO. The Board subsequently establishes various committees, as presented above, and appoints individuals to specific roles within the committees.

The Board has put in place written terms of reference, which set out the Board's responsibilities and are designed to promote the effective exercise of the Board's powers of oversight and management of the Bank. Further details of governance arrangements can be found in the Bank's articles of association and the Board's terms of reference.

The Board's responsibilities include:

- Approval of the business strategy and risk appetite.
- Authority to act as the ultimate decision-making body and the right to delegate this authority to the CEO, to members of senior management and to board and management committees.
- Establishment of appropriate policies to manage the strategy and risk appetite.
- Assurance that the systems and controls are appropriate to manage the risks of the business.
- Safeguarding the Group's assets.
- Maintenance of sound systems and financial control.
- Maintenance of accountability for all decisions of the board and management committees.

The Board, led by the Chair, continuously review their composition to ensure that there is appropriate level of competency to allow effective governance of the Bank.

The Chair of the Board is John Maltby, and he has been appointed to run the Board and to lead the Board in its capacity to deliver the Bank's strategy and to support and challenge the CEO in discharging his day-to-day business responsibilities. The Board has ruled that the Chair shall not be a member of the Executive management team and shall not be the CEO, in accordance with CRD IV Art88(1) (e). There are five additional independent non-executive Directors. The Board has an Audit Committee, a People & Remuneration Committee, a Risk Committee and a Nomination Committee. Each Committee is chaired by an appropriate NED, or in the case of the Nomination Committee, the Chair. In addition to the six non- executive Directors there are two executive directors.

Terms of reference for the Board and each of the Board's committees detail the primary responsibilities along with the governance arrangements, control of affairs, standing agenda items, specific monitoring and composition. The Board is the forum where all key management decisions are tabled and approved. The chair of each committee is charged with reporting back to the Board in accordance with its terms of reference, including material events, changes or trends together with recommendations as appropriate. Board meetings are held monthly or more often if required.

Conflicts of interest

The Board has established a conflicts of interest policy. The Directors and officers of the Group are required to lodge conflicts of interest in the Conflicts of Interest Register, which is maintained by the Company Secretary. All registered conflicts are monitored and reviewed regularly. In addition, the standing agenda of each Board and Management Committee contains a requirement for any attendee to disclose any conflict of interest. When a member has a conflict of interest, they are required to abstain from any voting or decision making on any related agenda item.

Board effectiveness

The Board is responsible for our strong and transparent governance, which enables us to achieve our purpose, drive improvement and ensure that all our stakeholders have a fair, balanced and understandable assessment of the way we do business. All appointments to the Board are based on merit with candidates assessed against objective criteria. However, the Board recognises the importance of having a diverse range of skills, knowledge, experience and perspectives and any appointments seek to increase its diversity whilst not compromising on the quality of the Board. The Board operates in an environment that values the input of every Director and where bias and discrimination are not tolerated. During 2023, the Board engaged an external consultant to review and assess its effectiveness. Interviews were undertaken with the members of the Board and key members of the management team. The review found that the Board and the Board Committees function effectively and fulfil their responsibilities appropriately. A number of actions were agreed to further improve effectiveness and the Chair has overseen their implementation throughout 2024.

Company Secretary

The Board has unfettered access to the advice and support of the Company Secretary who ensures that good governance practices are maintained and works closely with the Chair, CEO and the chairs of the Board Committees to set meeting agendas, ensure that there is an appropriate balance between strategy, regulatory and operational matters whilst also ensuring that there is effective communication between the Board and the Executive.

Board activities during 2024

We've captured a snapshot of the key activities of the Boards in the below table:

Summary of Board activities FY2024

Strategy, culture and values	• Approving key capital and structural activities like the SRT and AT1 issuance during the year • Overseeing the launch of new products • Receiving updates on People strategy and our employee value proposition • Receiving updates on our progress against our sustainability strategy • Approving the acquisition of Tuscan Capital
Business performance	• Approving our Group and subsidiary FY2024 budget and business plan • Monitoring our performance against budget and forecasts • Approving our FY2023 annual report and its financial website disclosures
Risk and compliance	• Monitoring our risk and approving our risk appetite • Overseeing the progress of major change programmes connected with Financial Crime and Fraud risk, and Consumer Duty • Approving our Risk Management Framework • Approving submissions to demonstrate compliance with key regulations including the ICAAP, ILAAP and recovery plan • Overseeing the progress of our Consumer Duty implementation programme • Approving policies in line with our policy register
Corporate governance	• Overseeing Board make-up and the collective suitability of the Board including succession planning • Approving Board training plan • Approving the appointment of Tracy Dunley-Owen as an independent Non-Executive Director

Board committees

The Board delegates its authority to the Audit Committee, Nomination Committee, People & Remuneration Committee and Risk Committee, as detailed below.

Board Audit Committee

The minimum composition of the Board Audit Committee is two members drawn from the independent Non-Executive Directors. Responsibilities of the Committee, in accordance with the recommendations of the UK Corporate Governance Code and applicable relevant standards of the Institute of Chartered Accountants in England and Wales, include:

- Assisting the Board in overseeing the system of internal control and external financial reporting across the Group.
- Assessing management's application of key accounting policies, significant judgements and compliance with disclosure requirements to ensure that they were consistent and appropriate to satisfy the relevant requirements.
- Considering the current position of the Group along with principal and emerging risks and assessing the prospects of the Group before recommending to the Board that the going concern basis for preparing the annual financial statements is appropriate.
- Ensuring the Internal Audit function operates independently, adequately funded and effectively, with a clear mandate aligned to the Bank's strategic objectives. This includes approving the internal audit charter, plan, and budget, reviewing the audit reports, considering managements responses, and monitoring the timely closure of agreed actions and reviewing annual assessments by internal audit of its compliance with global internal audit standards;
- Evaluating the adequacy of resources, expertise and technology allocated to the internal audit function to remain effective, fit for purpose to execute its mandate. Additionally, the BAC ensures independent External Quality Assessments are conducted at least every five years, as recommended by the Institute of Internal Auditors.
- Overseeing the Group's relationship with its external auditor, Ernst & Young LLP. This includes the ongoing assessment of the auditor's independence and the effectiveness of the external audit process, which informs the Committee's recommendation to the Board relating to the auditor's appointment (subject to shareholder approval).
- Advising the Board as to whether the financial statements, when taken as a whole, are fair, balanced and understandable;
- Approving the remuneration and terms of engagement with the external auditors.
- Developing and implementing policy of the external auditor to supply non-audit services;
- Monitoring the Group's Whistleblowing Policy and reviewing the Group's systems and controls for the prevention of bribery and detection of fraud. The Chair of the Audit Committee is the whistleblowing champion of the Bank.

Board Nomination Committee

The minimum composition of the Board Nomination Committee is two members drawn from the independent Non-Executive Directors. The Committee's responsibilities include:

- Managing the appointment process for new Board Directors, senior Executives and persons holding Senior Management Function responsibility, including induction, training, and continued development.
- Evaluating Board and committee effectiveness and membership.
- Overseeing the Board and senior Executive succession planning, executive pipeline, and talent development.

Board People & Remuneration Committee

The minimum composition of the Board People & Remuneration Committee is two members drawn from the independent Non-Executive Directors. The Committee's responsibilities include:

- Determining the strategic objectives in relation to the culture and people management designed to ensure the long-term success and sustainability of the Bank.
- Determining the policy for remuneration – including benefits, pension arrangements, and termination payments – of the Chair of the Board, the Chief Executive Officer, the Executives and those subject to the Senior Managers and Certification Regime and material risk takers of the Group.
- Ensuring that the remuneration policy has regard to the risk appetite of the Group and alignment to the Group's long term strategic goals and that remuneration is structured to promote the long-term success of the Group.

Board Risk Committee

The minimum composition of the Board Risk Committee is two members drawn from the independent Non-Executive Directors. The Committee's responsibilities include:

- Overseeing the Bank's overall risk management framework, as well as its risk appetite, strategy, principles, and policies.
- Reviewing and monitoring the risk profile of the Group, as well as overseeing and advising the Board on the risk profile of the Group and its future risk strategy.
- Reviewing and recommending for Board approval the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP).
- Reviewing and recommending for Board approval the Bank's Recovery and Liquidity Contingency Plan and Solvent Wind Down plan.
- Considering and approving any required delegation of authority to the Chief Risk Officer (CRO).
- Considering and approving the remit of the risk and compliance function and ensuring it has adequate resources.
- Reviewing the effectiveness of the processes and policies by which the Group identifies and manages Conduct Risk.
- Reviewing and approving the Annual Compliance Plan, including details of activities, and available skills, experience and expertise.

Management Committees

Oversight of the Bank's day-to-day operations is managed through management committees, detailed below. The CRO and Chief Compliance Officer (CCO) are responsible for the Second Line of Defence with respective Executives responsible for risks within their domain as First Line of Defence.

Executive Committee (ExCo)

To assist in the delivery of the Group's strategy, the CEO maintains an Executive Committee. The purpose of ExCo is to allow the CEO to allocate responsibilities, liaise and co-ordinate with the leadership team, review projects, and keep abreast of the day-to-day management of the Bank. ExCo meet at least monthly, or sooner at the discretion of the CEO. The responsibilities of ExCo include:

- To provide oversight of the Bank, including reviewing the key committee objectives and matters raised, accountable to the CEO.
- Development, implementation and communication of strategy, operational plans, policies, procedures and budgets.
- Monitoring of operating and financial performance.
- Responsibility for the Bank's culture, conduct and ethics.
- Identification, management, monitoring and assessment of the risks across the Bank.
- Subsidiary Committees have responsibility for the monitoring and management of specific Key Risk Categories, the CRO and CCO are responsible for the aggregation of these and reporting of the Bank's Risk profile to ExCo including compliance with Risk Appetite limits and related Key Risk/ Early Warning Indicators.
- Prioritisation and allocation of resources.
- Monitoring competitive forces in each area of operation.

Risk Management Committee (RMC)

The RMC is chaired by the CRO and the CCO and is responsible for the monitoring and management of the Bank's overall Enterprise-Wide Risk profile. Responsibilities also include:

- Ensuring that all delegated risks are managed within risk appetite, including reporting and monitoring of Key Risk Indicators and Early Warning Indicators.
- Monitoring of key trends and metrics.
- Monitoring of any policy or lending guideline exceptions.
- Monitoring and approval of any risks or incidents raised together with any associated action plans;
- responsibility for management and approval/ recommendation of all policies under the remit of the committee.
- Assessment of Allica's overall risk profile and articulation of the Group's key risks to Board Risk Committee and the Board.

Assets and Liabilities Committee (ALCO)

ALCO is chaired by the Chief Financial Officer and is responsible for the prudential management of Allica's balance sheet, and for ensuring appropriate levels of liquidity, solvency, and capital adequacy. ALCO is responsible for the identification, management, monitoring and reporting of risks arising from asset and liability management, including the approval of related policies and controls. The Committee's responsibilities also include:

- Management of Allica's liquidity and capital positions so that adherence to the Group's risk appetite and regulatory minima are maintained.
- Management of prudential risks under the ALCO's control (capital, liquidity, market, funding, and interest-rate risk).

- Monitoring and reporting of ALCO risks to evidence compliance with the risk appetite set by the Board.

- Maintenance of all treasury related policies.
- Reviewing and monitoring the composition and growth of assets and liabilities of the Group.
- Evaluating and assessing the impact of other potential drivers of earnings volatility, such as competitive pressures or non-interest rate related changes to market conditions.
- Developing and applying appropriate hedging strategies to control volatility of balance sheet and earnings.

Operations Committee (OpCo)

OpCo is chaired by the Chief Technology Officer and is responsible for the management and control of the operational activities of the Group and for the identification, management, monitoring and reporting of risks arising from people, processes, systems and external events. Responsibilities also include:

- Reviewing and approving changes to operational processes, procedures, roles and responsibilities.
- Monitoring and reporting of operational activity across operations, HR, marketing and technology.
- Maintaining an effective and adequate operational resilience plan with appropriate testing and controls.
- Approval and recommendation of relevant policies and procedures.
- Recommendation of new products under Allica's new product approval process.

Product Committee (ProdCo)

ProdCo is chaired by the Chief Lending Officer and is responsible for the approval of new products under Allica's New Product Approval Process, changes to existing products and for managing the operational performance of products. Responsibilities also include:

- Recommending all proposed new products and material amendments to existing products to ExCo.
- Approving all non-material product amendments, product reviews and withdrawals.
- Reviewing existing products at agreed intervals.
- Ensuring that the Group takes the interests of customers into consideration and that we comply with the FCA's principles of Treating Customers Fairly and Consumer Duty when developing and amending products.
- Making sure that product literature sets out all relevant information and that it is clear, concise and jargon free.

Pricing Committee (PricingCo)

PricingCo is chaired by the Chief Financial Officer and is responsible for reviewing and approving any changes to the pricing of loan book products. Responsibilities include:

- Reviewing existing pricing and resultant financial returns.
- Assessing the appropriateness of product pricing in meeting the Bank's commercial and financial objectives.

- Reviewing the appropriateness of underlying pricing model assumptions.

- Approving any changes to product pricing or pricing of new product launches.

Client Selection Committee*

The Client Selection Committee is chaired by the CCO and is a forum for assessing whether to onboard customers that may be in high-risk sectors or in segments where business appetite is unclear or borderline.
Responsibilities include:

- Considering individual cases that have been escalated by the first line of defence.
- Assessing potential risks and mitigants in line with the Bank's control framework.
- Updating the sector appetite list as appropriate following any decision.

Credit Committee

The Credit Committee is chaired by the Chief Lending Officer and is responsible for reviewing individual lending transactions.
Responsibilities include:

- Reviewing individual credit decisions of larger transactions to ensure they are within the Bank's risk appetite.
- Reviewing individual credit decisions to ensure they are within the Bank's concentration risk for such assets and/or sectors.

*the Client Selection Committee is not responsible for 'exiting' customers

Functions and organisational structure

The Chair allocates prescribed responsibilities to Senior Management Functions (SMFs) among its own membership and that of the Executive Management. There are statements of responsibility for each SMF. The Group has integrated standing agenda items and functional roles for these SMF individuals within its governance and organisational structure.

Allocated to Non-Executive Directors		Allocated to Senior Management	
Chair of the Board	SMF 9	Chief Executive Officer	SMF 1
Chair of the Risk Committee	SMF 10	Chief Financial Officer	SMF 2
Chair of the Audit Committee	SMF 11	Chief Executive Officer Chief Financial Officer	SMF 3
Chair of the People & Remuneration Committee	SMF 12	Chief Risk Officer	SMF 4
Chair of the Nomination Committee	SMF 13	Chief Internal Auditor	SMF 5
Senior Independent Director	SMF 14	Chief Lending Officer	SMF 6
		Chief Compliance Officer	SMF 16
		Chief Compliance Officer	SMF 17
		Chief Product and Strategy Officer	SMF 18
		Chief Lending Officer & Chief Technology Officer	SMF 24

Non-financial and sustainability information

This section constitutes the non-financial and sustainability information statement, prepared in order to comply with Sections 414CA and 414CB of the Companies Act. The information is provided by cross-reference to other sections in the Strategic report.

Companies Act Reference	Reporting requirements	Reference	Policies and standards which govern Allica's approach
414CB (A1)(1)(A)	Environmental matters	ESG review, page 40 Directors report, page 65	• Climate risk policy
414CB (A1)(1)(B)	Employees	ESG review, page 40	• Code of conduct • Whistleblowing policy • Bullying, anti-harassment and sexual harassment policy • Equality, diversity and inclusion policy • Grievance policy • Remuneration policy • Capability policy
414CB (A1)(1)(C)	Social matters	ESG review, page 40	• Equality, diversity and inclusion policy • Charity and community policy
414CB (A1)(1)(D)	Respect for human rights	ESG review, page 40	• Data management policy • Data retention policy • Anti-bribery and corruption policy
414CB (A1)(1)(E)	Anti-corruption and anti-bribery matters	ESG review, page 40	• Anti-bribery and corruption policy • Fraud policy • Anti-money laundering policy • Market abuse policy • Code of conduct
414CB (2A)	Climate-related financial disclosures	Climate-related financial disclosures, page 43	• Climate risk policy
414CB (A1)(2)(A)	Description of business model	Strategic report from page 1 to 28	
414CB (A1)(2)(D)	Description of principal risk and impact of business activity	Risk report, page 30	
414CB (A1)(2)(E)	Non-financial key performance indicators	2024 at a glance, page 2 CFO's review, page 18 Climate-related financial disclosures, page 43	

Directors' report

The Directors of the Company present their report together with the audited financial statements for the year ended 31 December 2024.

Other information that is relevant to the Directors' Report, and which is incorporated by reference into this report, can be located as follows:

Section 414 of the Companies Act 2006 requires the Directors to present a strategic report in the Annual Report and Accounts. The information can be found on pages 2 to 28.

Research and development

During the year, Allica continued investing in the development of its own platforms and products. This included enhancement of lending and deposit products.

Dividends

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

Appointment and retirement of Directors

The Bank's Articles of Association set out the process for the appointment and replacement of Directors.

The following persons were Directors of Allica Bank during the whole of the financial year and up to the date of this report, unless otherwise stated:

J Maltby
R Davies
J Heath
R Kapoor
P Marston
P McDonald Pryer
P Magee
T Dunley-Owen (appointed 1 November 2024)

Powers of Directors

The Directors' powers are conferred on them by UK legislation and by the Bank's Articles of Association. Changes to the Bank's Articles of Association must be approved by the shareholders passing a special resolution and must comply with the provisions of the Companies Act 2006.

Directors' indemnities

Allica has indemnified all the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year.

Going concern

Allica's financial statements are prepared on a going concern basis as the Directors believe the Group has sufficient resources to continue its activities for 12 months from the date of the financial statements' approval, and that the Group has sufficient capital and liquidity to meet its regulatory capital requirements set by the Prudential Regulation Authority (PRA).

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including: the current statement of financial position; future projections of profitability; cash flows and capital resources; and the long-term strategy of the business. This included forecast projections prepared using detailed financial planning by the Bank's management that considers the current and future economic environment, the principal and emerging risks as set out in page 34 and a prudent view of the Bank's growth.

The Directors note that the Group generated a profit after tax of £29.8m for the year-ended 31 December 2024 and the forecasts project the Group will continue to be profitable and remain within its regulatory capital requirements for the foreseeable future.

The Directors have also reviewed the financial and capital impact of a range of severe capital and liquidity stresses on the forecast projections. The Group has implemented both a high and low interest rate variant, as well as further reverse, idiosyncratic and single-variable stress tests in order to test the limits and vulnerabilities of the business plan and strategy. The impact of management actions that might be taken to mitigate the impact of these stresses is also assessed.

Having considered all available information, the Directors have concluded that the Bank has adequate resources to continue in operation to 30 April 2026, representing a period of at least 12 months from the date of approval of the financial statements. Therefore, it is appropriate to prepare the financial statements on a going concern basis.

Political and charitable donations

Allica has not made any donations to any registered UK political party or other EU political organisations. The Group has made donations to UK registered charities.

While it is our policy not to make political donations to, or campaign on behalf of, any political party, from time to time we engage with a range of government, regulators and public policy stakeholders, including cross-party / all-party parliamentary groups and third parties to provide our views on regulatory and policy issues relevant to our business and customers or engage in events organised by third parties at party conferences. These activities are not intended or considered to be political campaigning, activity, or support.

People

Please refer to page 27 for further information on employment of disabled persons.

Share capital

Details of the Bank's issued share capital and of its movement during the year, are shown in Note 22 of the Financial Statements. The Bank's share capital comprises one class of ordinary share with a nominal value of £0.01 each of which 338,692,735 were in issue as of 31 December 2024 (2023: 287,181,979).

Restrictions on the transfer of shares

Restrictions on the transfer of shares are set out in the Articles of Association and prevailing legislation.

Disclosure of Information to the Auditor

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

Reappointment of the auditors

Independent auditors Ernst & Young LLP served as auditors throughout the year and based on recommendation by Directors have been reappointed by shareholders as auditors pursuant to section 487(2) of the Companies Act 2006.

This Directors' Report was approved by the board and signed on its behalf by:

James Heath
Chief Financial Officer

7 April 2025

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors must prepare the Group financial statements in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

Under Company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of Allica and of its profit or loss for the year. In preparing the financial statements, the Directors are required to: select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable an understanding of the impact of particular transactions, other events, and conditions on the entity's financial position and financial performance. Finally, the Directors must assess Allica's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records which: are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy the financial position of the Company at any given time; and enable the Directors to ensure the financial statements comply with the Companies Act 2006. Additionally, the Directors are responsible for safeguarding the Group's assets and hence, taking reasonable steps to prevent and detect fraud or other irregularities.

The Directors confirm to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group.
- The Strategic report (on pages 1 to 28) and the Directors' Report (on pages 65 to 67) include a fair review of the business' development and performance, as well as the principal risks and uncertainties they face.
- The Annual Report and Accounts are fair, balanced, and understandable, and that they provide the information necessary for the shareholders to assess the Group's position and performance, business model, and strategy.

Approved by the Board and signed on its behalf by

James Heath
Chief Financial Officer

7 April 2025

Independent auditor’s report

Independent auditor's report to the members of Allica Bank Limited

Opinion

In our opinion:

- Allica Bank Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Allica Bank Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2024 which comprise:

Group	Parent company
Statement of profit and loss and other comprehensive income for the year then ended	Company Statements of financial position as at 31 December 2024
Group Statement of financial position as at 31 December 2024	Company Statement of changes in equity for the year then ended
Consolidated Statement of changes in equity for the year then ended	Company Statement of cash flows for the year then ended
Group Statement of cash flows for the year then ended	Related notes 1 to 36 to the financial statements including material accounting policy information
Related notes 1 to 36 to the financial statements, including material accounting policy information	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- We confirmed our understanding of management's going concern assessment process and engaged with management early to validate whether all key factors were considered in their assessment.
- We evaluated management's going concern assessment which included reviewing their evaluation of budget and business plans, regulatory capital requirements, liquidity and existing shareholder support.
- We considered the analysis of key relevant going concern assumptions, including those relating to financial performance, regulatory capital and liquidity, and performed independent reverse stress testing and sensitivity analysis, including considering the impact of ongoing macroeconomic uncertainty.
- We compared the historical budgeted financial information with historical actual results, in order to form a view on the reliability of management's forecasting process.
- We reviewed regulatory correspondence, relevant committee and board meeting minutes, and met with the Prudential Regulation Authority, in order to identify events or conditions that may impact the Group and Parent Company's ability to continue as a going concern.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess whether the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern over the twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the Group and the Parent Company.
Key audit matters	• Measurement of the allowance for expected credit losses (ECL) • Internally developed software capitalisation and impairment • Accounting for the acquisition of Tuscan Capital (Holdings) Limited • Risk of fraud in revenue recognition in the application of effective interest rate (EIR) accounting
Materiality	• Overall group materiality of £1,500k (2023: £1,546k) which represents 5% of pre-tax income (2023: 0.5% of the equity).

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

The Group is centrally managed and controlled from the UK. All audit work performed for the purposes of the audit was undertaken by a single audit team based in the UK. We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group and Parent Company financial statements and identified significant accounts and disclosures. When identifying the extent to which audit work needed to be performed to respond to the identified risks of material misstatement of the Group and Parent Company financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, applications and relevant internal audit results.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change on its operations lies in its financial instruments through its lending activities. These are explained in the Environment, Social and Governance section of the Strategic report which form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in Note 27 Financial Assets and Liabilities how climate change has been reflected in the financial statements, and the significant judgements and estimates relating to climate change.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition and the significant judgements and estimates and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and in the timing and nature of liabilities recognised, following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk

Measurement of the allowance for expected credit losses (ECL) (£32,269k, 2023: £21,989k)
 	
Refer to the accounting policies and Note 27 of the Consolidated Financial Statements
The ECL provision is a significant balance that carries a high degree of estimation uncertainty due to the assumptions used in its calculation. The calculation of such provisions under IFRS 9 requires a forward-looking assessment of expected losses, increasing the complexity and number of judgements used. The level of judgement and estimation remains heightened as a result of the current economic environment which leads to greater uncertainty in forecasting future economic scenarios, the weightings to be applied to these scenarios, the determination of significant increase in credit risk (SICR), and the use of judgemental overlays.
 	
Key judgements and estimates in the timing and measurement of ECL include:
• Probability of default (PD).
• Loss given default (LGD).
• Exposure at default (EAD).
• Assessment of staging criteria and identification of loans that exhibit a SICR.
• Incorporation of forward-looking information, including multiple economic assumptions.
• Completeness and valuation of post model adjustments (PMAs).
• Collateral valuation.
 	
Due to the degree of judgement that needs to be exercised by the directors in determining the key assumptions used in calculating the ECL provision, we considered this to be a key audit matter. The heightened levels of estimation uncertainty also gave rise to an increased risk of management override of controls.
	• We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach.
	• With the support of EY credit risk modelling specialists, we performed a model inherent risk assessment of models used to generate the ECL provision. Based on this risk assessment we tailored our procedures, which included:
	  ◦ Testing the appropriateness of the Bank's model methodology through inspection of model design documentation.
	  ◦ Independently implementing the Bank's modelled ECL calculation, including recalculation of PDs, LGDs, EADs and overall ECL.
	  ◦ Performing sensitivity analysis to determine the impact of changes in key assumptions to the ECL provision.
	  ◦ Benchmarking assumptions to observable market data where applicable.
	• With the support of EY credit risk modelling specialists, we assessed whether the SICR criteria used by the Bank provided appropriate leading indicators of increased credit risk in the loan portfolio. We also independently tested whether the loan portfolio had been appropriately staged in line with the Bank's stated criteria.
	• With the support of EY economists, we assessed the base case and alternative macroeconomic scenarios through comparison to other scenarios from external sources and EY internally developed forecasts. This testing also included benchmarking of the probability weightings used by the Bank.
	• We assessed the completeness and appropriateness of PMAs using our knowledge and experience across the UK lending sector, and challenging the Bank's rationale for new PMAs recorded in the year and the continued justifications for existing PMAs where relevant.
	• With the involvement of our credit risk modelling specialists we tested significant PMAs for reasonableness of estimation with reference to observable market data.
	• We performed stand-back analysis to assess the overall adequacy of the ECL provisions. This included utilising our understanding of the Bank and the industry to perform analytical procedures, assessing whether any contradictory evidence had been obtained from other parts of the audit, and considering the Group provision coverage ratios in comparison to other lenders using available benchmarking data.
	• For a sample of loans, we tested the existence and valuation of the collateral through review of the valuation reports of management's valuer and independently assessed the skills, competence and adequacy of the valuer.

<table>
<tr><th>Risk</th><th>Our response to the risk</th></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee</td></tr>
<tr><td colspan="2">We are satisfied that the ECL provisions were reasonable and recognised in accordance with IFRS 9. We highlighted the following matters to the Board Audit Committee that contributed to our overall conclusion:
• Results of our testing of models, model assumptions and the reasonableness of the macroeconomic variables, scenarios and weightings used.
• Accuracy of staging and the reasonableness of management's staging criteria, and our independent sensitivity analysis on the staging criteria to assess appropriateness.
• Reasonableness and adequacy of the post-model adjustments recorded to reflect risk in the portfolios.</td></tr>
<tr><td>Internally developed software capitalisation and impairment (Net book value of Intangible Assets - £24,213k, 2023: £18,420k)

Refer to the accounting policies and Note 15 of the Consolidated Financial Statements.

The capitalisation of expenses in internally developed software is complex and involves management judgement when making the assessment of capitalisation in accordance with IAS 38 'Intangible Assets'. This includes identifying when events or changes in circumstances indicate that the carrying amounts may not be recoverable and involves judgements and estimates in the annual impairment assessments.

Due to the degree of judgement that needs to be exercised by the directors we considered this to be a key audit matter and a risk of management override of controls.</td><td>• We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach.
• We reviewed the Group's software capitalisation policy, challenged its compliance with the requirements of accounting standards and challenged its application to the recognised software asset.
• For a sample of transactions, we substantiated IT expenses through to invoices from vendors to determine whether the underlying costs incurred met the capitalisation criteria under IAS 38 Intangible Assets.
• We verified the assumptions used to capitalise staff cost by:
   ◦ Reviewing management's calculation.
   ◦ Performing sensitivity analyses.
   ◦ Tracing capitalised costs to payslips for internal resources and invoices for external contractors.
   ◦ For a sample of staff costs capitalised, conducted enquiries with relevant individuals to understand their activities and time allocation, assessing the reasonableness of management's estimate for staff cost capitalisation.
   ◦ Interviewing Heads of Departments regarding products that had been capitalised to assess whether the criteria for capitalisation had been met.
• We evaluated and assessed the appropriateness of the useful economic life assumptions through understanding the assets involved, benchmarking and sensitivity analysis.
• We examined and challenged management's impairment assessment of the IT software recognised in the financial statements and challenged the key estimates and judgments made.
• For a sample of IT systems at the year-end, we verified that those are still in use and therefore did not need to be impaired or subject to accelerated amortisation.</td></tr>
<tr><td colspan="2">Key observations communicated to the Audit Committee</td></tr>
<tr><td colspan="2">We are satisfied that the capitalisation of internally developed software was appropriate and in accordance with IAS 38, and that no additional impairment was required.</td></tr>
</table>

Risk	Our response to the risk
Accounting for the acquisition of Tuscan Capital (Holdings) Limited (Goodwill Recognised: £8,631k, 2023: Nil) During the year Group completed the acquisition of Tuscan Capital (Holdings) Limited. There are judgements and estimates in accounting for acquisitions including the determination of the fair value of assets and liabilities acquired, the resulting goodwill and relevant contingent elements of the acquisition.	• We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach. • With assistance from technical accounting experts, we assessed appropriateness of accounting treatment in relation to “earn outs”. • We evaluated the appropriateness of management’s methodology to determine the expected credit losses on the portfolio of loans acquired and other receivables. • With assistance of our valuation specialists, we assessed the reasonableness of the fair values of consideration transferred. • We assessed the appropriateness of the business combination accounting for compliance with IFRS 3 ‘Business Combinations’ including determination of acquisition date and evaluation of the accounting treatment relation to the acquisition costs. • With assistance from valuations specialists, we evaluated the appropriateness of management’s specialist’s methodology to allocate the purchase price to net assets acquired including the fair values of the identifiable assets and liabilities and resulting goodwill at acquisition date.
Key observations communicated to the Audit Committee	
We concluded that the fair value of net assets acquired, and the resulting goodwill are materially correct and fall within our independently developed range. We are satisfied that the Tuscan acquisition and the related disclosures are materially correct and are in accordance with IFRS 3 ‘Business Combinations’.	
Risk of fraud in revenue recognition in the application of effective interest rate (EIR) accounting (£322,296k, 2023: £177,843k) Refer to the accounting policies and Note 4 of the Consolidated Financial Statements. Auditing standards include a presumption that for all companies there is significant financial statement risk, including the risk of fraud, in relation to revenue recognition. The majority of interest and fee income recorded is low value and based on standard contractual terms. The risk of fraud in the recognition of revenue is focused on the application of management estimation and judgement in the accounting for income using the Effective Interest Rate (‘EIR’).	• We understood and evaluated the design effectiveness of controls and adopted a substantive audit approach. • We critically assessed the Group’s revenue recognition policy and challenged its compliance with the requirements of accounting standards. • We scrutinised the material fee income and expense accounts to evaluate whether they are an integral part of the loan and are appropriately amortised through EIR. • We assessed the reasonableness of the behavioural assumptions that impact the calculation of EIR, such as the appropriateness of the estimated life, reversion periods and prepayment assumptions. • For a sample of loans, we verified the inputs to the underlying loan agreements and recalculated the EIR to establish accuracy.
Key observations communicated to the Audit Committee	
Based on the procedures performed, we are satisfied that revenue recognised using the EIR method is reasonably stated.	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Parent Company to be £1,500k (2023: £1,546k), which represents 5% of the Group's pre-tax income (2023: 0.5% of equity) at the time of our audit planning. We consider the users of the financial statements to be consistent between the Group and Parent Company, and as no income statement is shown for the Parent Company, we have judged that it is appropriate for the materiality of the Parent Company to be consistent with the Group. Although pre-tax income decreased slightly between the audit planning stage and 31 December 2024, we concluded that maintaining the same materiality level remained appropriate. This was based on our prior experience, our ability to assess the likelihood of misstatements, and other factors affecting the entity and its financial reporting.

We have selected pre-tax income as the basis for materiality, as it aligns closely with the expectations of the primary users of the financial statements. This represents a change from the prior year, where equity was used, due to the consistent profitability of the Group in recent years.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2023: 50%) of our planning materiality, namely £750k (2023: £773k). We have based the percentage of performance materiality on a number of considerations, including the number and amount of identified misstatements in the prior year, the effectiveness of the control environment and other factors affecting the entity and its financial reporting.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £75k (2023: £77k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 67, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are:
    - The regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA')
    - Companies Act 2006;
    - Financial Reporting Council ('FRC') reporting requirements; and
    - Tax legislation.
- We understood how the Group is complying with those frameworks by making enquires of management, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and regulatory bodies; reviewed minutes of the Board and Risk Committees and gained an understanding of the Group's governance framework.
- Conducted a review of correspondence with and reports from the regulators, including the PRA and FCA, and met with the PRA in order to establish matters which may impact the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified to prevent or detect fraud. We also identified the risks of fraud in our key audit matters as described above and identified areas that we considered when performing our fraud procedures, including performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, and those responsible for legal and compliance matters, as well as focused testing referred to in the Key Audit Matters section above.
- The Group operates in the banking industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, involving specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the Company on 4 August 2017 to audit the financial statements for the year ending 31 July 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 8 years, covering the years ending 31 July 2017 to 31 December 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Signed by:
Ernst & Young LLP
451D44ECCBE445C...

Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
7 April 2025

Financial statements

Statement of profit or loss and other comprehensive income

	Note	Group	
		Year ended 31/12/2024	Year ended 31/12/2023
		£'000	£'000
Interest income		320,303	177,843
Interest expense		(206,274)	(97,813)
Net interest income	4	**114,029**	**80,030**
Fair value gains on financial instruments	4	11,811	6,905
Fee and commission income		3,739	2,838
Fee and commission expense		(9,158)	(2,965)
Net fee and commission expense	5	**(5,419)**	**(127)**
Total operating income		**120,421**	**86,808**
Operating expenses	6	(80,317)	(56,438)
Impairment losses	12	(10,203)	(14,279)
Profit before tax		**29,901**	**16,091**
Taxation (charge)/credit	9	(140)	3,059
Profit after tax for the year		**29,761**	**19,150**

Statement of profit or loss and other comprehensive income (continued)

		Group	
		Year ended 31/12/2024	Year ended 31/12/2023
	Note	£'000	£'000
Other comprehensive income/(loss)			
Items that may be recycled subsequently to profit or loss			
Fair value (losses)/gains on debt securities	24	(240)	837
Cash flow hedges: Gains/(losses) arising during the year	26	31,862	(20,264)
Cash flow hedges: Amounts recycled to profit or loss during the year	26	(11,806)	(6,759)
Tax credit/(expense)	9	(5,014)	6,756
Other comprehensive income/(loss) for the year, net of tax		**14,802**	**(19,430)**
Total comprehensive income/(loss) for the year		**44,563**	**(280)**

The results for the current and prior period are derived entirely from continuing operations.

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 88–163.

Statements of financial position

		Group		Company	
		2024	2023	2024	2023
	Note	£'000	£'000	£'000	£'000
Assets					
Cash and balances at central banks	10	1,377,979	718,805	1,377,979	718,805
Loans and advances to banks	10	124,617	87,763	116,833	84,406
Debt securities	11	301,379	115,774	301,379	115,774
Derivative financial instruments	26	23,541	19,570	23,541	19,570
Loans and advances to customers	12	3,048,763	1,976,826	1,849,279	1,256,626
Investments		1,000	1,000	1,000	1,000
Other assets	13	10,402	6,212	6,941	5,606
Amounts due from subsidiaries	14	-	-	1,214,877	735,806
Tangible fixed assets		1,161	805	991	805
Right-of-use assets	20	339	836	339	836
Goodwill	15	8,631	-	-	-
Intangible assets	15	25,414	18,426	25,414	18,426
Deferred tax asset	9	11,302	12,902	11,302	12,902
Investments in subsidiaries	16	-	-	7,620	-
Total assets		**4,934,528**	**2,958,919**	**4,937,495**	**2,970,562**
Liabilities					
Deposits from banks	10	16,840	3,485	16,840	3,485
Derivative financial instruments	26	8,073	22,518	8,073	22,518
Deposits from customers	17	4,428,095	2,633,247	4,428,095	2,633,247
Other liabilities	18	18,022	10,523	17,085	9,934
Provisions		1,272	1,617	1,102	1,563
Subordinated liabilities	19	38,714	7,500	38,714	7,500
Leases	20	374	887	374	887
Credit-linked notes	21	46,429	-	46,429	-
Total liabilities		**4,557,819**	**2,679,777**	**4,556,712**	**2,679,134**

Statements of financial position (continued)

		Group		Company	
		2024	2023	2024	2023
	Note	£'000	£'000	£'000	£'000
Equity					
Share capital	22	3,388	2,873	3,388	2,873
Share premium	23	280,947	301,158	280,947	301,158
Perpetual notes (including convertible)	24	44,877	45,127	44,877	45,127
Other components of equity	24	11,271	(2,937)	11,271	(2,937)
Retained earnings	24	36,226	(67,079)	40,300	(54,793)
Total equity		**376,709**	**279,142**	**380,783**	**291,428**
Total liabilities and equity		**4,934,528**	**2,958,919**	**4,937,495**	**2,970,562**

As permitted by Section 408 of the Companies Act 2006, a separate income statement has not been presented in respect of the parent company, Allica Bank Limited. The profit after tax for the year ended 31 December 2024 was £22,000k (2023: Profit after tax of £18,751k). The results for the current and prior period are derived entirely from continuing operations.

The above statements of financial position should be read in conjunction with the accompanying notes on pages 88–163.

The financial statements were approved for issuance by the Board on 7 April 2025 and signed on its behalf by:

James Heath
Chief Financial Officer

7 April 2025

The above statements of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

Group	Called up share capital £'000	Share premium £'000	Other components of equity £'000	Perpetual notes (including convertible) £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	2,501	266,332	16,781	9,886	(86,229)	209,271
Profit after tax for the year	-	-	-	-	19,150	19,150
Other comprehensive loss for the year, net of tax	-	-	(19,430)	-	-	(19,430)
Total comprehensive income/(loss) for the year	**-**	**-**	**(19,430)**	**-**	**19,150**	**(280)**
Transactions with owners in their capacity as owners:						
Share-based payments	7	281	(288)	-	-	-
Employee bonus share issuance	11	405	-	-	-	416
Issue of ordinary share capital	354	34,140	-	-	-	34,494
Conversion of perpetual convertible notes - net	-	-	-	35,241	-	35,241
Balance at 31 December 2023	**2,873**	**301,158**	**(2,937)**	**45,127**	**(67,079)**	**279,142**
Balance at 1 January 2024	2,873	301,158	(2,937)	45,127	(67,079)	279,142
Profit after tax for the year	-	-	-	-	29,761	29,761
Other comprehensive income for the year, net of tax	-	-	14,802	-	-	14,802
Total comprehensive income for the year	**-**	**-**	**14,802**	**-**	**29,761**	**44,563**
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	-	-	-	-
Employee bonus share issuance	10	388	-	-	-	398
Issue of ordinary share capital	153	17,453	-	-	-	17,606
Capital reduction	-	(73,544)	-	-	73,544	-
Issue of perpetual convertible notes	-	-	-	35,000	-	35,000
Share warrants exercised	-	594	(594)	-	-	-
Perpetual convertible notes converted to share capital	352	34,898	-	(35,250)	-	-
Balance at 31 December 2024	**3,388**	**280,947**	**11,271**	**44,877**	**36,226**	**376,709**

The above statements of changes in equity should be read in conjunction with the accompanying notes

Company statement of changes in equity

Company	Called up share capital £'000	Share premium £'000	Other components of equity £'000	Perpetual notes (including convertible) £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023	2,501	266,332	16,781	9,886	(73,544)	221,956
Profit after tax for the year	-	-	-	-	18,751	18,751
Other comprehensive loss for the year, net of tax	-	-	(19,430)	-	-	(19,430)
Total comprehensive income/(loss) for the year	**-**	**-**	**(19,430)**	**-**	**18,751**	**(679)**
Transactions with owners in their capacity as owners:						
Share-based payments	7	281	(288)	-	-	-
Employee bonus share issuance	11	405	-	-	-	416
Issue of ordinary share capital	354	34,140	-	-	-	34,494
Conversion of perpetual notes (including convertible)	-	-	-	35,241	-	35,241
Balance at 31 December 2023	**2,873**	**301,158**	**(2,937)**	**45,127**	**(54,793)**	**291,428**
Balance at 1 January 2024	2,873	301,158	(2,937)	45,127	(54,793)	291,428
Profit after tax for the year	-	-	-	-	21,549	21,549
Other comprehensive income for the year, net of tax	-	-	14,802	-	-	14,802
Total comprehensive income for the year	**-**	**-**	**14,802**	**-**	**21,549**	**36,351**
Transactions with owners in their capacity as owners:						
Employee bonus share issuance	10	388	-	-	-	398
Issue of ordinary share capital	153	17,453	-	-	-	17,606
Capital reduction	-	(73,544)	-	-	73,544	-
Issue of perpetual convertible notes	-	-	-	35,000	-	35,000
Share warrants exercised	-	594	(594)	-	-	-
Perpetual convertible notes converted to share capital	352	34,898	-	(35,250)	-	-
Balance at 31 December 2024	**3,388**	**280,947**	**11,271**	**44,877**	**40,300**	**380,783**

The above statements of changes in equity should be read in conjunction with the accompanying notes

Statements of cash flows

		Group		Company	
		2024	2023	2024	2023
	Note	£'000	£'000	£'000	£'000
Profit before tax		29,901	16,091	19,738	15,692
Adjustments for non-cash items:					
Depreciation	6	1,030	849	1,001	849
Amortisation	15	5,303	3,606	5,303	3,606
Loss on disposal/write-off of fixed assets		-	28	-	28
Loss on write-off of intangible assets	15	-	939	-	939
Fair value gains/(losses) on derivatives	26	(5)	(146)	(807)	(146)
Impairment losses	12	10,712	14,279	(2,684)	8,420
Net increase in interest income receivable		(14,676)	(19,816)	(9,122)	(8,203)
Net increase in interest expense payable		19,134	21,196	19,134	21,196
		51,399	**37,026**	**32,563**	**42,381**
Changes in operating assets and liabilities					
Net (increase)/decrease in balances at central banks	10	6,728	(6,106)	6,728	(6,106)
Net (increase)/decrease in loans and advances to banks	10	41,689	(16,762)	41,689	(16,762)
Net (increase)/decrease in loans and advances to customers	12	(1,007,903)	(618,964)	(591,549)	(312,148)
Net (increase)/decrease in amounts due from subsidiaries	16	-	-	(405,110)	(308,079)
Net increase/(decrease) in deposits from banks	10	13,355	(20,029)	13,355	(20,029)
Net increase/(decrease) in deposits from customers	17	1,778,477	1,101,860	1,778,477	1,101,860
Net (increase)/decrease in trade and other debtors	13	(2,773)	2,447	(1,326)	25
Net increase/(decrease) in trade and other creditors	18	6,559	2,034	7,315	1,667
Cash flows from operations		**887,531**	**481,506**	**882,142**	**482,809**
Tax paid		(3,426)	(1,024)	(2,031)	(1,024)
Net cash from operating activities		**884,105**	**480,482**	**880,111**	**481,785**

Statements of cash flows (continued)

		Group		Company	
		2024	2023	2024	2023
	Note	£'000	£'000	£'000	£'000
Purchase of debt securities	11	(577,021)	(49,641)	(577,021)	(49,641)
Proceeds from sale and maturity of debt securities	11	401,153	-	401,153	-
Interest received on debt securities	11	1,041	-	1,041	-
Acquisition of a subsidiary, net of cash acquired	32	(6,098)	-	(6,650)	-
Purchase of property, plant and equipment		(809)	(568)	(690)	(568)
Purchase of intangibles	15	(12,291)	(10,114)	(12,291)	(10,114)
Net cash from investing activities		**(194,025)**	**(60,323)**	**(194,458)**	**(60,323)**
Proceeds from issue of ordinary shares	22, 23	17,606	34,494	17,606	34,494
Issue of subordinated debt	19	30,000	-	30,000	-
Issue of credit-linked notes	21	50,000	-	50,000	-
Payment of principal on credit-linked notes	21	(3,928)	-	(3,928)	-
Issue of perpetual convertible notes	24	35,000	35,241	35,000	35,241
Capital repayment of lease liabilities	20	(513)	(437)	(513)	(437)
Repayment of external debt on acquisition of subsidiary	32	(73,800)	-	(73,800)	-
Net cash from financing activities		**54,365**	**69,298**	**54,365**	**69,298**
Net increase/(decrease) in cash and cash equivalents	10	**744,445**	**489,457**	**740,018**	**490,760**
Cash and cash equivalents at beginning of year	10	752,303	262,846	748,946	258,186
Cash and cash equivalents at end of year		**1,496,748**	**752,303**	**1,488,964**	**748,946**
Cash and cash equivalents comprise:					
Cash and balances at central banks	10	1,375,731	709,829	1,375,731	709,829
Loans and advances to banks	10	121,017	42,474	113,233	39,117
		1,496,748	752,303	1,488,964	748,946

Cash interest received during the year totalled £305,627k (2023: £158,027k) and cash interest paid totalled £187,140k (2023: £76,617k).
The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. Basis of preparation

General information
These consolidated financial statements comprise Allica Bank Limited ("the Company" or "the Bank") and its subsidiaries as listed in Note 31 (together "the Group" or "Allica"). The consolidated financial statements are presented in pounds sterling, which is the Group's functional and presentation currency.

Allica Bank Limited is a private company limited by shares and incorporated in England and Wales. Its registered office and principal place of business is:

4th Floor, 164 Bishopsgate, London,
England, EC2M 4LX.

A description of the nature of the Group's operations and its principal activities are included in the Strategic report on page 10.

Basis of preparation
The consolidated and Company financial statements have been prepared in accordance with UK-adopted international accounting standards and the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income.

Amounts in this report have been rounded to the nearest thousand pounds unless otherwise indicated.

Comparative financial information has been prepared on a consistent basis.

Note 2. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the reporting periods presented, unless otherwise stated.

a) New or amended Accounting Standards and Interpretations adopted
The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2024:

- Classification of liabilities as current or non-current and non-current liabilities with covenants- amendments to IAS 1.
- Lease liability in a sale and leaseback- amendments to IFRS 16
- Disclosures: supplier finance arrangements- amendments to IAS 7 and IFRS 7

None of these amendments will have an impact on the Bank's consolidated financial statements as at 31 December 2024.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The impact of these forthcoming Accounting Standards or Interpretations is not expected to be material.

b) Basis of consolidation
Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and could affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances, and unrealised gains on transactions between entities in the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Note 2. Accounting policies (continued)

c) Going concern

These financial statements have been prepared on the going concern basis as the Board is satisfied that the Group and Company has the resources to continue in business for the foreseeable future, being at least 12 months from the date of approval of the financial statements.

In performing this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the Group and Company's current financial position and projections of future profitability, cash flows and capital resources and requirements, which together form the Group's base case forecasts.

The base case plan forecasts that the Group will continue to be profitable and operate well within its minimum capital requirements throughout the assessment period. Several stress scenarios have also been applied to the base case plan and these scenarios have been reviewed by the Directors.

The range of stresses include a significant increase in the credit losses, compression of margins as well as other stresses applied to Allica's capital runway. In all stress scenarios, the Group and Company continue to have sufficient capital and liquidity resources to continue in business for the foreseeable future and maintaining a surplus to our minimum regulatory requirements.

Based on this assessment, the Board is satisfied that the Group and Company can continue in business for at least 12 months from the date of approval of the financial statements, and as a result the going concern basis of accounting has been adopted to prepare these financial statements.

d) Material accounting policies

Revenue recognition

The Group recognises revenue as follows:

Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired (and is therefore regarded as 'Stage 3'), the Group calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired ('POCI') financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

Note 2. Accounting policies (continued)

Revenue recognition (continued)

Fees and commissions

Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the service. The Group applies the five-step process set out in IFRS 15, Revenue from contracts with customers, to ensure an appropriate revenue recognition policy is in place, i.e.:

1. Identify the contract with a customer.
2. Identify the separate performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the separate performance obligations.
5. Recognise revenue when/as each performance obligation is satisfied.

The income is recognised when the performance obligations have been met, which for customer card transaction income is at the point in time at which the transaction occurs.

Employee benefits

Short-term employee benefits
Short-term employee benefits, such as salaries, paid absences, and other benefits including any related payroll taxes are accounted for on an accrual basis over the period which employees have provided services. Bonuses are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are accounted for in accordance with the requirements of IAS 19, ‘Employee benefits’. All expenses relating to employee benefits are recognised in the income statement in staff costs.

Share-based payment
The Group operates equity-settled, share-based remuneration plans for senior management. None of the Group’s plans feature any options for a cash settlement. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share based payments, the fair values of employees’ services are determined indirectly by reference to the fair value of the equity instruments granted.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

Share-based payment (continued)

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to IFRS 2 reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest.

Administrative expenses
Administrative expenses are recognised on an accrual basis over the period where the goods or services have been provided.

Leases
Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease. Right-of- use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments, any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. The incremental borrowing rate of 3.3% has been used in calculation of the lease liability.

Short-term and low value leases
The Group has elected not to recognise a right-of-use asset and corresponding lease liability for leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Accounting policies (continued)

Financial assets and liabilities
The Group's business model is to hold assets to collect contractual cash flows, and it assesses whether the assets' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement (i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement). Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related asset is measured at fair value through profit or loss ("FVTPL").

Criteria for classification of assets
The Group classifies its financial assets at amortised cost only if both of the following criteria are met:
(i) the asset is held within a business model whose objective is to collect the contractual cash flows.
(ii) the contractual terms give rise to cash flows that are solely payments of principal and interest.

Recognition
Financial assets and liabilities, with the exception of loans and advances to customers and deposits from customers, are initially recognised on the trade date i.e., the date on which the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Group recognises deposits from customers when funds are transferred to the Group.

Derecognition
Financial assets are derecognised only when the contractual rights to receive the cash flows from the financial asset expire or the Group has transferred substantially all the risks and rewards of the ownership of the assets.

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Modification of financial instruments
The Group derecognises a financial instrument when the terms and conditions have been renegotiated to the extent that it becomes substantially a new instrument, with the difference recognised as a derecognition gain or loss in the income statement.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Classification of financial assets and liabilities
I. Cash and balances at central banks
Cash and balances at central banks in the statement of financial position comprise short term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. The Central bank balance is the reserve account held with Bank of England. This balance also includes the cash ratio deposit held with the central bank which is considered restricted and accrued interest on these balances which is not available on demand until settled.Therefore, these amounts are not part of cash and cash equivalents.

II. Loans and advances to banks
Loans and advances to banks cash on hand, deposits held at call with financial institutions, and cash collaterals held on derivative financial instruments; these assets are subject to an insignificant risk of changes in value. Cash and balances due from banks are initially recognised at fair value and subsequently at amortised cost.

III. Loans and advances to customers
Loans and advances to customers are measured at fair value on initial recognition and subsequently at amortised cost using effective interest method. Detailed information about the judgements and estimates are set out in note 3.

IV. Derivatives
Derivatives, which are held for risk management purposes, are measured at fair value in the statement of financial position.

V. Other assets
Other assets, receivables and prepayments are recognised initially at fair value and subsequently measured at amortised cost.

VI. Investments
The Group has invested in equity instruments. These investments are classified as fair value through profit or loss and are recorded in the statement of financial position at their fair value, with any changes in fair value recorded in profit or loss account.

Note 2. Accounting policies (continued)

VII. Credit-linked notes
The Group holds credit-linked notes, which are classified at their fair value through on initial recognition, at the date of issuance, and subsequently at amortised cost. These notes reduce the risks held by the Group on an underlying portfolio of loans. The Group retains some risks and rewards on the underlying portfolio of loans, and therefore has not derecognised these loan balances.

VIII. Capital instruments
The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Where an instrument contains no obligation on the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable, or where the instrument will or may be settled in the Group's own equity instruments but includes no obligation to deliver a variable number of the Group's own equity instruments, the instrument is treated as an equity instrument.

a) Subordinated liabilities (see note 20)
Subordinated loans are treated as debt instruments, at amortised cost, using the effective interest rate method.

b) Share capital (see note 22)
Ordinary shares are classified as part of equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds and charged against share premium.

c) Share premium (see note 23)
Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of the shares issued.

d) Perpetual notes (including convertible) (see note 24)
Since these bonds are not redeemable at the option of the holder, and interest is due and payable only at the sole and absolute discretion of the Group, these notes have been classified as equity in accordance with IAS 32, Financial instruments: Presentation, at the total proceeds of the issue. Any coupon payments made relating to the issue are treated as a dividend distribution when paid and disclosed as a distribution on other equity instruments within the Statement of Changes in Equity, as a debit to Retained earnings.

e) Warrants (see note 24)
Share warrants are accounted for under IFRS 2 if they are issued in exchange for goods or services provided to the issuer. Share warrants issued to management are treated as equity settled, and are charged to staff costs, with the credit being posted to the IFRS 2 reserve in equity.

Share warrants not issued in exchange for goods or services are accounted for as financial instruments within the scope of IAS 32 and IFRS 9. Where the exercise price of the share warrant is different from the fair value of the underlying shares at the grant date, the difference is credited to equity, because it includes an obligation to issue a fixed number of shares, whilst the debit is treated as a distribution to existing shareholders and is therefore charged against retained earnings.

Measurement of financial assets and liabilities
Amortised Cost
Assets held at amortised cost (e.g., loans and advances to customers) are measured at the amount recognised at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognised in profit and loss.

FVOCI
Debt securities are held to meet liquidity requirements and are classified as Fair Value Through Other Comprehensive Income ('FVOCI'). Debt securities are measured at fair value and changes in fair value are taken to other comprehensive income and on derecognition are recycled to the income statement.

FVTPL
Derivative assets and liabilities, and investments are measured at fair value, with changes in fair value recognised in income statement as they arise. Further details on derivative assets and liabilities is given in the policy on Derivatives held for hedging purposes on page 94.

Note 2. Accounting policies (continued)

Impairment under *IFRS 9*

IFRS 9 requires loss provisioning to be based on expected future losses as well as incurred losses. The Group classifies its loans into Stage 1, Stage 2, Stage 3 and POCI as described below:

Stage 1: Financial assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and interest income is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are expected within 12 months after the reporting date.

Stage 2: For financial assets that have experienced a significant increase in credit risk ('SICR') since initial recognition but that do not have objective evidence of impairment, lifetime ECL are recognised, and interest income is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial asset.

Stage 3: For assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised, and interest income is calculated on the net carrying amount.

POCI: Purchased or originated credit impaired ('POCI') assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

The above model requires a number of key supporting policies and methodologies:

- **ECL model:** Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial asset. The impairment model calculates ECL at a customer level by multiplying probability of default ("PD"), exposure at default ("EAD") and the loss given default ("LGD") and discounting using the original EIR, under three economic scenarios. The economic scenarios are incorporated into the Bank's ECL calculation through a bespoke macroeconomic model. This scenario based ECL outcomes are weighted by their probability of occurrence to obtain a probability weighted ECL value.
    - *Probability of Default ('PD')* represents the likelihood of a customer defaulting on their loan over a time period. As a young Bank, Allica does not have sufficient historical data to build its PD models. The Bank derives its PDs from scores obtained from leading external credit rating agencies.
    - *Exposure at Default ('EAD')* is based on the amount expected to be owed at default at a future date. This considers the repayments of principal and interest, accrued interest due to missed payments and expected drawdowns. Committed undrawn loans are treated as fully drawn for the calculation of EAD and assigned to the same stage as the drawn component.
    - *Loss Given Default ('LGD')* represents Allica's expectation of the extent of loss on a defaulted exposure. It is expressed as a percentage of EAD.
- **Determining a SICR since initial recognition:** The impairment model utilises both relative and absolute criteria to identify significant increase in credit risk in its financial assets. This determines whether the financial asset would be subject to 12-month ECL or lifetime ECL. Allica Bank uses the criteria below to determine if there has been a SICR:
    - The borrower is more than 30 days past due on any material credit obligation;
    - A significant increase in a customer's PD at the reporting date compared to the expected PD when the account was originated. The Group segments its credit portfolios into PD bands and has determined a relevant threshold for each PD band, where a movement in excess of the threshold is considered to be a significant increase in credit risk; or
    - Other indicators of a SICR including qualitative factors such as probation accounts and customers on watchlist.

Note 2. Accounting policies (continued)

- The Bank continues to assess the effectiveness of its SICR criteria. Allica assesses a state of default in the portfolio which is defined at customer level and will include any of the following criteria:
    - The borrower is more than 90 days past due on any material credit obligation;
    - Allica Bank considers that the borrower is unlikely to pay its credit obligations in full without recourse, such as realising security;
    - Demand is made on the customer by the Bank for total outstanding due to a breach of lending terms including cross default with facilities provided elsewhere (and including any foreclosure process);
    - Notice of either inability or unwillingness to pay (including leading to the granting of forbearance or a distressed restructuring; or
    - Notice of entering an insolvency process.

- **Forecast economic data.**
  The key inputs into the forecast economic data are discussed in the Impairment: expected credit loss (ECL) section of Note 3 'Critical accounting judgements, estimates and assumptions'.

- **Write-off policy**
  A loan is written-off (wholly or partially) when Allica has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery of the financial asset or a portion of it.

Derivatives held for hedging purposes

On initial designation of a hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Management makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated. The Group normally designates a portion of the cash flows of a financial instrument for cash flow or fair value changes attributable to a benchmark interest rate risk if the portion is separately identifiable and reliably measurable.

Fair value hedges

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

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

Note 2. Accounting policies (continued)

Cash flow hedges

The Group applies the requirements of IFRS 9 in accounting for cash flow hedges. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and will be included in the 'other gains and losses' line item. There is no ineffective portion for 2024.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. If the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified to profit or loss.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Hire purchase agreements

A hire purchase agreement is a finance lease that transfers all the risks and rewards incidental to ownership of an asset to the lessee. Hire purchase agreements are recorded as loans. Lease income is recognised in interest income in the profit or loss account using the interest rate implicit in the lease. All of the Group's finance leases are hire purchase agreements (see note 12).

Property, plant and equipment

Items of tangible fixed assets are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

IT equipment: 3 years
Fixtures and fittings: 5 years
Right-of-use asset: 3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognized upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss account.

Note 2. Accounting policies (continued)

Goodwill and Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the purchase consideration over the fair value of the Group's share of the assets acquired and the liabilities and contingent liabilities assumed on the date of the acquisition.

Goodwill is measured at initial cost less any subsequent impairment losses. The gain or loss on the disposal of a subsidiary includes the carrying value of any related goodwill when such transactions occur.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

The recoverable amount of an asset that does not generate cash flows that are independent from those of other assets or groups of assets, is determined as part of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to our cash-generating units or groups of cash-generating units expected to benefit from the combination.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell or its value in use. Value in use is the present value of future cash flows from the asset or cash-generating unit discounted at a rate that reflects market interest rates adjusted for risks specific to the asset or cash-generating unit that have not been considered in estimating future cash flows.

The assessment of asset impairment is based upon value in use. This represents the value of future cashflows and uses our five-year revenue and cost forecasts and the expectation of long term economic growth beyond this period. The five-year forecast takes account of management's current expectations on competitiveness and profitability. The long term growth rate reflects external indicators which will include market expectations on climate risk. We do not consider any additional adjustments to this indicator.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intangible assets are stated at cost (which is, in the case of assets acquired in a business combination, the acquisition date fair value) less accumulated amortisation and impairment, if any, and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally using the amortisation periods set out below:

Annual rates in calculating amortisation	Amortisation period
Work in progress	Not amortised
Software	Up to 7 years

Note 2. Accounting policies (continued)

Software

Directly attributable costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years. However, amortisation on certain assets has been accelerated to fully amortise by 2025 after a reassessment of their remaining economic life. This has had the following impact on the profit or loss account for the current and following years.

Group & Company	Favourable / (adverse) impact
Year ended	£'000
31 December 2024	(1,467)
31 December 2025	(3,684)
31 December 2026	1,347
31 December 2027	1,322
31 December 2028	964
31 December 2029	789
31 December 2030	554
31 December 2031	175
	-

Work in progress

Software projects under which assets are not ready for their intended use are shown as work in progress and are subject to impairment review. Amortisation commences when the assets are ready for their intended use.

Research and development

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Allica has demonstrated:
(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) Its intention to complete the intangible asset and use or sell it;
(c) Its ability to use or sell the intangible asset;
(d) How the intangible asset will generate probable future economic benefits;
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Taxation

The tax expense or benefit for the period is the tax payable or recoverable on that period's taxable income based on the applicable corporation tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 2. Accounting policies (continued)

Current tax

Current tax is expected tax payable or receivable and is based on the amount expected to be payable or receivable on the taxable profit or tax allowable losses at rates that are enacted or substantively enacted and applicable to the relevant period.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foresee future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and it is the Group's intention to settle on a net basis.

Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Loan commitments

Irrevocable customer loan commitments, which were undrawn at 31 December 2024 were £181,476k (2023: £95,053k) with ECL provisions of £646k (2023: £991k).

Loan commitments are recognised at the stage when they are in solicitor hands – the last step before the drawdown. These commitments represent agreements to lend in future subject to terms and conditions of the agreement, so the amount and timing of the future cash flows are uncertain.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events — which management believes to be reasonable. The resulting accounting judgements and estimates may differ from those that arise from future events. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Policy	Judgement	Estimate
Expected credit loss (ECL)	Definition of default against which to apply PD, LGD and EAD models. Selection of multiple economic scenarios. Criteria for a significant increase in credit risk. Identification of risks not captured by the models.	ECL estimates contain a number of measurement uncertainties (such as the weighting of multiple economic scenarios) and disclosures include sensitivities to show impact on other reasonably possible scenarios.
Capitalisation of intangible asset development costs	None.	Capitalised internally generated intangible assets are sensitive to the assumptions used in the estimate, specifically around capitalisation rates of colleagues involved in the development stage.
Effective interest rate (EIR)	None.	The estimation of future cash flows over the expected life of the instrument contains a high degree of uncertainty.
Recognition of deferred tax assets	None.	The estimation of future taxable profits in business plans contain a number of measurement uncertainties such as growth levels, capital injection amounts and timing etc. as well as reasonably possible scenarios.

Changes in judgements and assumptions could result in a material adjustment to those estimates in future reporting periods.

3.1 Expected credit loss (ECL)

The appropriateness of the ECL models is kept under constant review and certain empirical data is used to refine the key estimates and judgments. The Group is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on the Bank's customer lending balances.

Definition of default, PD, LGD and EAD

Management has judged that an account is regarded as being in default by reference to certain qualitative and quantitative criteria. See note 2 above for definition of default, and evaluation of PD, LGD and EAD.

Loss Given Default (LGD) is assessed with reference to the underlying security valuation and haircuts made to reflect various factors that are likely to impact the recovery amount at any point in time. These haircuts are based upon informed market opinion from external consultants, market data and the Group's internal assessment.

The Bank has portfolios of loans outstanding to SME customers under the BBB coronavirus support schemes that were designed to support businesses dealing with the impact of COVID-19. The Bank has provided lending under the three UK government-backed lending schemes non-organically via forward flow transactions. These UK government-backed lending schemes are covered by guarantees from the BBB (a wholly owned subsidiary of HM Treasury) that are to be set against the outstanding balance of a defaulted facility after the proceeds of the business assets have been applied. The guarantee is 100% for BBLS, 80% for both CBILS and RLS (where RLS facility was committed before January 2022) and 70% for RLS facilities committed after January 2022. Lower LGDs are recognised for these UK government-backed lending schemes.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Forward-looking information and multiple economic scenarios including probability of impact

The Group incorporates forward-looking information into its assessment of measurement of ECL. The measurement of ECL is required to reflect an unbiased probability-weighted range of possible future outcomes. The time period over which the Group assesses forward-looking information is the maximum period over which the Group is exposed to credit risk. The Group determines a range of representative scenarios for the possible future direction of key economic variables. The scenarios are derived by reference to external information where this is publicly available and appropriate, together with internally generated views. A probability-weighting, based on management's judgement, is assigned to each scenario.

The Group has a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on market data and internal management experience and judgement. The process involves developing additional economic scenarios and considering the relative probabilities of each outcome. The Group considers external market data and its engagement with reputable economists to develop these scenarios. These scenarios include economic data and forecasts published by governmental bodies, such as the BoE's Monetary Policy Committee and selected private sector and academic forecasters.

The Bank's ECL model uses three economic forecasts (base, upside, and downside scenarios), which are provided by a reputable external company and are refreshed quarterly. The scenario forecasts have been fed into a macroeconomic model to produce PD scalars. The scalars are used in estimating scenario based ECL amounts with the weighted average of the three scenarios being the final ECL. Based on the economic scenario analysis conducted by the Bank, the weightings for each scenario were 55% Base, 30% Downside, and 15% Upside (2023: 50% Base, 35% Downside, and 15% Upside).

Economic Variable	Scenario	2025	2026	2027	2028	2029
UK GDP Growth, % Year on Year	Upside	3.9	3.1	2.5	2.0	1.5
	Base Case	1.4	1.7	1.8	1.7	1.6
	Downside	-2.3	0.4	1.4	1.7	1.7
Bank Rate, % Year End	Upside	5.4	4.4	3.4	3.0	3.0
	Base Case	3.8	3.1	2.6	2.5	2.5
	Downside	3.0	1.8	1.8	1.8	1.8
ILO Unemployment Rate, % Year Average	Upside	4.0	3.6	3.6	3.6	3.6
	Base Case	4.4	4.3	4.2	4.1	4.0
	Downside	5.1	6.0	6.7	6.7	6.5

Note 3. Critical accounting judgements, estimates and assumptions (continued)

ECL sensitivity to economic assumptions

Assuming upside weighting stays at 15%, an increase/decrease of 10% in the weighting of the base scenario results in a decrease/increase of £2,497k in the ECL provision as at 31 December 2024.

The calculation of credit impairment provisions is sensitive to changes in chosen weightings. The following table summarises the ECL computed in each scenario. This table considers the impact on modelled impairment provisions only; post-model adjustments ('PMA') of £793k (2023: £2,231k) are excluded.

	Expected credit losses	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Scenario		
Upside	21,362	6,294
Base	24,967	10,906
Downside	51,056	38,172

The combined impact of the above results in a scenario weighted ECL of £32,253k at 31 December 2024 (2023: £19,758k) and has been calculated by applying the scenario weightings indicated above to the ECL for each scenario.

Significant increase in credit risk

IFRS 9 requires that at each reporting date, an entity shall assess whether the credit risk on an account has increased significantly since initial recognition. Part of this assessment requires a comparison to be made between the current lifetime PD (i.e. the current probability of default over the remaining lifetime) with the equivalent lifetime PD as determined at the date of initial recognition. More information on how this criteria is applied is in Note 2.

Risks not captured by the model

Limitations in the impairment models used to calculate ECLs may be identified through the ongoing assessment and validation of the outputs from the models. Consequently, in certain circumstances, the Group makes PMAs to ensure the loss allowance recognised adequately reflects the expected outcome. These adjustments are generally modelled to take into account the particular attributes of loans with ECL estimates that have not been adequately captured by the models. PMAs are reviewed and approved on a periodic basis at the Risk Management Committee.

During the year ended 31 December 2024, PMAs were applied due to certain limitations in the existing models and the underlying data fields. As at 31 December 2024, specific PMAs added to the modelled loss allowance totalled £793k and are as follows:

- Asset Finance Depreciation Curve update (£432k charge) - This PMA is being held to adjust the depreciation curves applied at year end.
- Sole Trader Data Limitation (£361k charge) - This PMA is being held to account for the current data limitations for Sole Traders within the Group's portfolios, which prevents the identification and flagging of SICR.
- Probability of Default ("PD") update - PMA previously held at the end of 2023 (£1,929k) has been released as modelling now fully reflects this risk.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

3.2 Capitalisation of costs

It is Allica's policy to capitalise software development expenditure which includes payroll costs in line with IAS 38. IAS 38 requires an entity to recognise an intangible asset, whether purchased or self-created if:

- It is probable that the future economic benefits that are attributable to the asset will flow to the group; and
- The cost of the asset can be measured reliably.

The probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset. The probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination.

Internally incurred costs are expensed unless these are development costs which meet the capitalisation criteria outlined on page 97.

3.3 Effective interest rates

The Bank's EIR method, as explained in note 2, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments, penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as expected changes to Bank of England base rate and other fee income/expense that are integral parts of the instrument.

3.4 Recognition of deferred tax asset on tax losses carried forward

At 31 December 2024, the Group recognised a deferred tax asset of £14,369k (2023: £10,932k) relating to its tax losses carried forward. Further information on the Group's deferred tax asset is provided in note 9. The Group's expectations of future UK taxable profits require management judgement and in making this assessment, account is taken of Board-approved business plans. Under current law there is no expiry date for UK trading losses not yet utilised for corporation tax purposes, and given the forecast of future profitability, it is more likely than not, that the value of the losses will be recovered at some point in the future. It is possible that future tax law changes could materially affect the timing of recovery and the value of losses ultimately utilised by the Group.

Based on the Group's base case plan, all carried forward tax losses are expected to be utilised during the year-ended 31 December 2026. The Group has therefore recognised a deferred tax asset which represents 100% of tax losses carried forward. A shortening of the forecast period used to assess the deferred tax recognition by 1 year to 31 December 2025 would decrease the deferred tax asset recognised by £8,259k at 31 December 2024. A lengthening of the forecast period used to assess the deferred tax recognition by 1 year to 31 December 2027 would have no impact on the deferred tax asset recognised at 31 December 2024.

Note 4. Net interest and other operating income

(a) Net interest income

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Interest income		
On loans and advances to customers	213,145	124,885
On loans and advances to banks	49,745	35,593
On debt securities	10,986	4,001
Interest income calculated using the effective interest rate method	**273,876**	**164,479**
On derivatives in hedge relationships	46,427	13,364
Total interest income	**320,303**	**177,843**
Interest expense		
On deposits from customers	(154,804)	(82,982)
On subordinated debt	(2,156)	(959)
On other interest bearing financial instruments	(5,526)	(170)
Interest expense calculated using the effective interest rate method	**(162,486)**	**(84,111)**
On derivatives in hedge relationships	(43,788)	(13,702)
Total interest expense	**(206,274)**	**(97,813)**
Net interest income	**114,029**	**80,030**

Note 4. Net interest and other operating income (continued)

(b) Fair value gains and losses on financial instruments

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Fair value losses in fair value hedge relationship	(753)	(3,405)
Fair value gains in fair value hedge relationship	758	3,551
Other financial income/(expense)	11,806	6,759
	11,811	**6,905**

Fair value movements on interest rate swaps relate to the fair value hedge programme discussed in note 26. All fair value movements relate to interest rate swaps designated as hedges and deemed effective. Other financial income/(expense) comprises of valuation gains and losses recycled from Other Comprehensive Income during the year.

Note 5. Net fee and commission expense

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Fee and commission income:		
Customer card transaction income	2,095	522
Fee income on loans and advances to customers	1,644	2,316
	3,739	**2,838**
Fee and commission expense:		
Servicing fees for loans and advances to customers	(7,600)	(2,261)
Servicing fees for deposits from customers	(843)	(538)
Other expenses on loans and advances to customers	(715)	(166)
	(9,158)	**(2,965)**
Net fee and commission expense	**(5,419)**	**(127)**

Note 6. Operating expenses

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Technology license fees and subscriptions	6,679	5,651
Legal and professional fees	4,690	3,752
Marketing	5,523	3,347
Office operating costs	842	620
Travel and entertainment expenditure	1,047	799
Depreciation of tangible fixed assets and right-of-use assets (see a) below)	1,030	849
Amortisation and impairment of intangible assets (see a) below)	5,303	4,545
Wages and salaries (see b) below)	37,939	27,350
Social security costs (see b) below)	5,461	3,170
Contributions to defined contribution pension plan (see b) below)	3,816	2,242
Other staff costs (see b) below)	102	266
Other expenditure (see c) below)	7,885	3,847
	80,317	**56,438**

a) This was presented separately under the "Depreciation and amortisation" line of the consolidated statement of profit or loss for the year ended 31 December 2023, and has been presented under operating expenses this year for better presentation.

b) This was presented separately under the "Staff costs" line of the consolidated statement of profit or loss for the year ended 31 December 2023, and has been presented under operating expenses this year for better presentation.

c) Other expenditure primarily consists of irrecoverable VAT and card processing fees.

The monthly average number of persons employed by the Group (including Directors) during the period was 568 (2023: 416). 312 of these were employed in management, administration and other back-office functions (2023: 222) and 256 were employed in customer operations (2023: 194).

Note 7. Auditor remuneration

During the financial year the following fees were paid or payable for services provided by Ernst & Young LLP, the auditor of the Group:

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual report and accounts	888	698
Fees payable to the Company's auditor for other services:		
Audit of subsidiaries	60	52
Non-audit services	75	25
Total audit and non-audit fees for the year	**1,023**	**775**

Note 8. Directors' emoluments

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Aggregate remuneration in respect of qualifying services	**2,015**	**1,942**

Number of directors accruing benefits under the defined contribution scheme was 1 (2023: 1).

The highest paid director's aggregate remuneration is £823k (2023: £828k).

No directors' loans were made during the year (2023: £30k) to fund awards under the joint share ownership plan (see note 34). Total directors' loans at 31 December 2024 amount to £98k (2023: £98k). Other staff costs in note 6 represent share-based payments to Directors (see note 34).

Note 9. Income tax

The components of income tax for the years ended 31 December 2024 and 2023 are as follows:

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Current tax charge		
Current tax charge on income for the year at statutory rate	3,500	962
Current tax adjustment in respect of prior years	(84)	(73)
Total UK tax	**3,416**	**889**
Foreign tax	**139**	**-**
Deferred tax (credit) / charge		
Current year	(3,607)	(4,143)
Prior year adjustment	192	-
Difference in tax rates	-	195
Total deferred tax	**(3,415)**	**(3,948)**
Income tax charge/(credit)	**140**	**(3,059)**

Note 9. Income tax (continued)

A reconciliation of the tax charge/credit to the standard rate of corporation tax is set out below:

	Group	
	Year ended 31/12/2024	Year ended 31/12/2023
	£'000	£'000
Profit before tax	29,901	16,091
Tax at the statutory tax rate of 25% (2023: 23.5%)	**7,475**	**3,781**
Effects of:		
Expenses not deductible for tax purposes	2,613	1,014
Differences between current tax and deferred tax rate	-	195
Non-taxable income	(2,182)	(879)
Deferred taxes not previously recognised	(6,896)	(7,192)
Tax losses/temporary differences for which no deferred taxes were recognised	(979)	22
Difference between domestic tax rate and overseas tax rate	1	-
Prior year adjustment	108	-
Income tax charge/(credit)	**140**	**(3,059)**

At the statement of financial position date, the Group had tax losses carried forward of £58,159k (2023: £76,716k), of which no deferred tax asset has been recognised on £1,587k (2023: £38,018k).

The Group has recognised a net deferred tax asset which is regarded as recoverable. This is on the basis of all available evidence including the Group's financial projections and forecasts, and can be regarded as probable that there will be suitable future taxable profits against which the unwinding of the asset can be offset.

Note 9. Income tax (continued)

The following table shows analysis of net deferred tax asset recorded in the statement of financial position and changes recorded for taxation:

	Group					
	Net deferred tax asset As at 31 Dec 2024	Income statement Year ended 31 Dec 2024	OCI Year ended 31 Dec 2024	Net deferred tax asset As at 31 Dec 2023	Income statement Year ended 31 Dec 2023	OCI Year ended 31 Dec 2023
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation of fair value hedges	504	203	-	301	(1,063)	-
Revaluation of cash flow hedges	(3,345)	-	(5,014)	1,669	-	6,756
Utilisation of tax losses against revaluation of cash flow hedges	-	-	-	-	-	-
Utilisation of tax losses against future taxable profits	14,143	3,212	-	10,932	5,011	-
	11,302	**3,415**	**(5,014)**	12,902	3,948	6,756

Note 10. Cash and balances with banks

	Cash and cash equivalents		Not considered cash and cash equivalents	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
Group	£'000	£'000	£'000	£'000
Assets				
Cash and balances at central banks	1,375,731	709,829	2,248	8,976
Loans and advances to banks	121,017	42,474	3,600	45,289
	1,496,748	752,303	**5,848**	54,265
Liabilities				
Deposits from banks	-	-	(16,840)	(3,485)

	Cash and cash equivalents		Not considered cash and cash equivalents	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
Company	£'000	£'000	£'000	£'000
Assets				
Cash and balances at central banks	1,375,731	709,829	2,248	8,976
Loans and advances to banks	113,233	39,117	3,600	45,289
	1,488,964	748,946	**5,848**	54,265
Liabilities				
Deposits from banks	-	-	(16,840)	(3,485)

The balances with central banks include the reserve account and cash ratio account held with the Bank of England.

Loans and advances to banks include cash collaterals paid against derivative financial instruments. As these amounts are restricted, they are not considered cash and cash equivalents. Similarly, cash collaterals received against derivative financial instruments are classified as liabilities and not considered cash and cash equivalents due to similar restrictions.

Note 11. Debt securities

	Group & Company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Issued by governments and supranational bodies	301,379	115,774

The Group has pledged assets as collateral to secure liabilities under securitisation agreements. Where non-cash assets are pledged as collateral, these assets continue to be recognised in full, and a related liability is also recognised on the Statement of financial position. In line with the terms of the collateral agreements, the Group may exchange the pledged assets for other eligible securities, provided the original asset is not of greater value than the replacement.

At 31 December 2024, the Group held debt securities with fair value of £46,209k which had been pledged as collateral for securitisation agreements. The securitisation liabilities are included in 'Credit-linked notes'.

Note 12. Loans and advances to customers

	Group		Company	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
	£'000	£'000	£'000	£'000
Gross loans and advances to customers	3,083,826	2,000,030	1,861,146	1,270,716
Less: total impairment provisions	(33,046)	(21,989)	(11,867)	(14,090)
Net loans and advances to customers	**3,050,780**	1,978,041	**1,849,279**	1,256,626
Fair value adjustment for hedged risk	(2,017)	(1,215)	-	-
Loans and advances to customers	**3,048,763**	1,976,826	**1,849,279**	1,256,626

Refer to note 27-29 for further information on financial assets and liabilities.

The charge in the year for impairment provisions on loans and advances to customers was £10,203k (2023: £14,281k).

In addition to the total impairment provisions recognised above, provisions totalling £646k for the Group and £476k for the Company (2023: £991k for the Group and £937k for the Company) have been recognised in respect of irrevocable loan commitments which had not been drawn down as at year-end, and are categorised as stage 1.

Note 12. Loans and advances to customers (continued)

Finance lease receivables

Loans and advances to customers as at 31 December 2024 include the following finance leases where the Group is the lessor:

	Group & Company	
	As at 31/12/24	As at 31/12/23
Gross investment in finance leases receivable:	£'000	£'000
Less than one year	168,616	110,257
Between one and two years	141,887	97,418
Between two and three years	101,695	75,456
Between three and four years	53,001	45,998
Between four and five years	16,550	16,564
More than five years	3,164	2,257
	484,913	**347,950**
Unearned finance income	(60,801)	(46,295)
Net investment in finance leases	**424,112**	**301,655**
Net investment in finance leases receivable:	£'000	£'000
Less than one year	140,285	90,048
Between one and two years	123,206	83,267
Between two and three years	92,258	67,611
Between three and four years	49,575	42,751
Between four and five years	15,778	15,839
More than five years	3,010	2,139
Net investment in finance leases	**424,112**	**301,655**

The Group's asset finance business focuses on the provision of hire purchase agreements to customers. Assets funded include manufacturing equipment, production equipment, transportation, plant and machinery, material handling equipment and agriculture. The accumulated allowance for uncollectable minimum lease payments receivable is £2,899k (2023: 3,299k). Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 31 December 2024 (2023: nil).

Note 13. Other assets

	Group		Company	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
	£'000	£'000	£'000	£'000
Prepayments	4,093	3,634	3,968	3,615
Other assets	6,309	2,578	2,973	1,991
	10,402	**6,212**	**6,941**	**5,606**

Prepayments include amounts prepaid in respect of licence fees and other miscellaneous items.

Other assets include funds held in third party accounts, staff & related party loans (see note 30) and other sundry debtors.

Note 14. Amounts due from subsidiaries

	Company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Intercompany loan	1,214,877	735,806

The intercompany loans represent amounts due to the Company from its subsidiaries, which are listed in Note 31. The loans are repayable on the earlier of (a) twelve months' written notice from the Company, and (b) two weeks' written notice from the borrower.

Interest is recharged on a matched funding basis, reflecting the cost of funding incurred by the Company and recharged to its subsidiaries. Expected credit loss (ECL) on these loans are considered to be immaterial and therefore no ECL provision has been booked.

Note 15. Intangible assets

Group	Software	Work in progress	Goodwill	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 January 2023	16,999	369	-	17,368
Additions	-	10,114	-	10,114
Transfer from work in progress	8,840	(8,840)	-	-
Assets written off	(1,466)	-	-	(1,466)
As at 31 December 2023	**24,373**	**1,643**	**-**	**26,016**
On acquisition of subsidiary	-	-	8,631	8,631
Additions	-	12,291	-	12,291
Transfer from work in progress	11,660	(11,660)	-	-
As at 31 December 2024	**36,033**	**2,274**	**8,631**	**46,938**
Accumulated amortisation				
As at 1 January 2023	4,511	-	-	4,511
Amortisation expense	3,606	-	-	3,606
Assets written off	(527)	-	-	(527)
As at 31 December 2023	**7,590**	**-**	**-**	**7,590**
Amortisation expense	5,303	-	-	5,303
As at 31 December 2024	**12,893**	**-**	**-**	**12,893**
Net Book Value				
As at 31 December 2024	23,140	2,274	8,631	34,045
As at 31 December 2023	16,783	1,643	-	18,426

Note 15. Intangible assets (continued)

Company	Software	Work in progress	Total
	£'000	£'000	£'000
Cost			
As at 1 January 2023	16,999	369	17,368
Additions	-	10,114	10,114
Transfer from work in progress	8,840	(8,840)	-
Impairment of assets	(1,466)	-	(1,466)
As at 31 December 2023	**24,373**	**1,643**	**26,016**
Additions	-	12,291	12,291
Transfer from work in progress	11,660	(11,660)	-
As at 31 December 2024	36,033	2,274	38,307
Accumulated amortisation			
As at 1 January 2023	4,511	-	4,511
Amortisation expense	3,606	-	3,606
Assets written off	(527)	-	(527)
As at 31 December 2023	7,590	-	7,590
Amortisation expense	5,303	-	5,303
As at 31 December 2024	12,893	-	12,893
Net Book Value			
As at 31 December 2024	23,140	2,274	25,414
As at 31 December 2023	16,783	1,643	18,426

Work in progress represents intangible assets within software projects under which assets are not ready for their intended use.

During the year, the company reviewed the remaining useful economic life of its intangible assets. The remaining useful economic life of certain assets included in Software has been decreased and the amortisation of these assets have been accelerated accordingly. This has resulted in a charge of £1,464k to profit and loss in the current year. The future impact of this change in estimate has been presented in Note 2.

Note 16. Investments in subsidiaries

	Company
	£'000
Cost	
At 1 January 2023	-
Additions	-
At 31 December 2023	**-**
Additions	7,620
At 31 December 2024	**7,620**
Net book value	
At 31 December 2024	**7,620**
At 31 December 2023	-

The Company acquired a 100% interest in Tuscan Capital (Holdings) Limited during the year and is measured at cost less impairment. For more information on this investment, see note 32 'Business combinations'. The Company also holds investments in its other subsidiaries, as listed out in Note 31 'Interests in subsidiaries'. The carrying value of these other investments is immaterial in aggregate.

Note 17. Deposits from customers

	Group & Company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Personal deposits	2,330,317	2,219,211
SME deposits	2,097,868	412,933
	4,428,185	2,632,144
Fair value adjustment for hedged risk	(90)	1,103
Total deposits from customers	**4,428,095**	2,633,247

Note 18. Other liabilities

	Group		Company	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
	£'000	£'000	£'000	£'000
Trade payables	1,295	703	1,155	693
Accruals	12,531	7,773	12,298	7,189
Social security and other taxes	1,495	1,313	1,417	1,313
Current tax payable/(receivable)	69	(60)	(327)	(60)
Other payables	2,632	794	2,542	799
	18,022	10,523	**17,085**	9,934

Refer to notes 27-29 for further information on financial assets and liabilities.

Note 19. Subordinated liabilities

	Group & company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Subordinated liabilities	38,714	7,500

In July 2021 the Group borrowed £7,500k under a subordinated loan facility (see note 30). Interest is payable on 30 June and 31 December each year, at a rate of 12% per annum. The loan is repayable on the eighth anniversary of drawdown, in July 2029.

In August 2024, the Group borrowed £30,000k under a separate subordinated loan facility. Interest is payable on 31 August and 28 February each year, at a rate of 11% per annum. The loan is repayable on the tenth anniversary of drawdown, in August 2034.

Note 20. Leases

	Group & company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Statement of financial position:		
Right-of-use asset	339	836
Lease liability	374	887
Statement of comprehensive income:		
Interest expense on lease liability	20	36
Depreciation expense on right-of-use asset	498	498

- The lease liability has been calculated using an incremental borrowing rate of 3.3%.
- £533k has been paid during the year on account of the Group's lease liabilities.
- There were no short-term leases not accounted for under IFRS 16 (2023: nil).
- Refer Note 29 'Contractual maturity of the financial assets and liabilities' and Note 33 'Financing activities' for further details on lease liabilities.

Note 21. Credit-linked notes

	Group & company	
	As at 31/12/24	As at 31/12/23
	£'000	£'000
Issuance date - 17 June 2024	46,429	-

On 17 June 2024, the Bank issued credit-linked notes of £50,000k (2023: nil) which reference a portfolio of the Bank's commercial investment loans. These notes are redeemable in part from time to time, such redemptions aligned to a proportional amortisation of the underlying assets. These notes are interest-bearing at SONIA plus margin, payable quarterly in arrears. These notes are expected to be redeemed in full by 2032.

Note 22. Share capital

	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
Group & Company	Shares	Shares	£'000	£'000
Ordinary shares - fully paid of £0.01 each	338,692,735	287,181,979	3,388	2,873

	Shares	£'000
As at 1 January 2023	250,070,170	2,501
Issued in 2023	37,111,809	372
As at 31 December 2023	**287,181,979**	**2,873**
Issued in 2024	51,510,756	515
As at 31 December 2024	**338,692,735**	**3,388**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The Group does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 23. Share premium

Group & Company	£'000
As at 1 January 2023	266,332
On ordinary shares issued in 2023	35,678
Capital transaction costs written off against share premium	(852)
As at 31 December 2023	**301,158**
On ordinary shares issued in 2024	53,333
Capital reduction	(73,544)
As at 31 December 2024	**280,947**

Note 24. Other components of equity

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Group	Perpetual notes (including convertible)	Retained earnings	Other comprehensive income	Share warrants	IFRS 2 reserve	Cash flow hedge reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	9,886	(86,229)	(747)	1,980	288	15,260	(59,562)
Profit after tax	-	19,150	-	-	-	-	19,150
Other comprehensive income for the year	-	-	837	-	-	-	837
Share-based payments	-	-	-	-	(288)	-	(288)
Net fair value movements in cash flow hedges	-	-	-	-	-	(27,023)	(27,023)
Deferred tax expense on cash flow hedges	-	-	-	-	-	6,756	6,756
Issue of perpetual notes (including convertible)	35,241						35,241
Balance at 31 December 2023	**45,127**	**(67,079)**	**90**	**1,980**	**-**	**(5,007)**	**(24,889)**
Profit after tax	-	29,761	-	-	-	-	29,761
Other comprehensive income for the year	-	-	(240)	-	-	-	(240)
Net fair value movements in cash flow hedges	-	-	-	-	-	20,056	20,056
Deferred tax expense on cash flow hedges	-	-	-	-	-	(5,014)	(5,014)
Share premium transferred to accumulated profits	-	73,544	-	-	-	-	73,544
Issue of perpetual convertible notes	35,000	-	-	-	-	-	35,000
Share warrants exercised	-	-	-	(594)	-	-	(594)
Perpetual convertible notes converted to share capital	(35,250)	-	-	-	-	-	(35,250)
Balance at 31 December 2024	**44,877**	**36,226**	**(150)**	**1,386**	**-**	**10,035**	**92,374**

Note 24. Other components of equity (continued)

Company	Perpetual notes (including convertible)	Retained earnings	Other comprehensive income	Share warrants	IFRS 2 reserve	Cash flow hedge reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2023	9,886	(73,544)	(747)	1,980	288	15,260	(46,877)
Profit after tax	-	18,751	-	-	-	-	18,751
Other comprehensive income for the year	-	-	837	-	-	-	837
Share-based payments	-	-	-	-	(288)	-	(288)
Net fair value movements in cash flow hedges	-	-	-	-	-	(27,023)	(27,023)
Deferred tax expense on cash flow hedges	-	-	-	-	-	6,756	6,756
Issue of perpetual notes (including convertible)	35,241	-	-	-	-	-	35,241
Balance at 31 December 2023	**45,127**	**(54,793)**	**90**	**1,980**	**-**	**(5,007)**	**(12,603)**
Profit after tax	-	21,549	-	-	-	-	21,549
Other comprehensive income for the year	-	-	(240)	-	-	-	(240)
Net fair value movements in cash flow hedges	-	-	-	-	-	20,056	20,056
Deferred tax expense on cash flow hedges	-	-	-	-	-	(5,014)	(5,014)
Share premium transferred to accumulated profits	-	73,544	-	-	-	-	73,544
Issue of perpetual convertible notes	35,000	-	-	-	-	-	35,000
Share warrants exercised	-	-	-	(594)	-	-	(594)
Perpetual convertible notes converted to share capital	(35,250)	-	-	-	-	-	(35,250)
Balance at 31 December 2024	**44,877**	**40,300**	**(150)**	**1,386**	**-**	**10,035**	**96,448**

Note 24. Other components of equity (continued)

Perpetual convertible notes

During the year, £35,000k of perpetual convertible notes ('AT1 capital') were issued to investors. These notes are convertible to Common Equity Tier 1 ('CET1') on various triggers, including profitability and capital metrics.

The Group has an embedded option to redeem any extant notes at issue price after five years, subject to regulatory conditions being met. Since the AT1 Capital is not redeemable at the option of the holder, and interest is due and payable only at the sole and absolute discretion of the Group, these notes have been classified as equity in accordance with IAS 32, Financial instruments: Presentation.

During 2023, £35,250k of AT1 capital were issued to investors as part of the Series C funding round, which closed in November 2022. These notes were convertible to CET1 on various triggers, including profitability and capital metrics. During the year, these metrics were been reached and consequently these notes were converted into CET1 capital.

Cash flow hedge reserve

This reserve relates to derivative instruments held by the Bank for hedging purposes. For details, refer Note 26 'Derivative financial instruments'.

Note 25. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 26. Derivative financial instruments

Group	As at 31/12/24			As at 31/12/23		
	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount
	£'000	£'000	£'000	£'000	£'000	£'000
Hedge accounting derivatives						
Fair value hedges - interest rate swaps	3,133	(1,539)	744,700	6,208	(2,893)	920,700
Cash flow hedges - interest rate swaps	20,408	(6,534)	1,515,000	13,362	(19,625)	1,118,000
Derivative assets/(liabilities) and notional	**23,541**	**(8,073)**	**2,259,700**	**19,570**	**(22,518)**	**2,038,700**

Company	As at 31/12/24			As at 31/12/23		
	Fair value of assets	Fair value of liabilities	Notional amount	Fair value of assets	Fair value of liabilities	Notional amount
	£'000	£'000	£'000	£'000	£'000	£'000
Hedge accounting derivatives						
Fair value hedges - interest rate swaps	107	(574)	572,700	2,731	(642)	819,700
Cash flow hedges - interest rate swaps	20,408	(6,534)	1,515,000	13,362	(19,625)	1,118,000
Derivatives not in hedge accounting relationships						
Fair value hedges - interest rate swaps	3,026	(965)	172,000	3,477	(2,251)	101,000
Derivative assets/(liabilities) and notional	**23,541**	**(8,073)**	**2,259,700**	**19,570**	**(22,518)**	**2,038,700**

Derivatives are used primarily to mitigate the interest rate risk on the Group's fixed rate lending, fixed term deposits and floating rate funding. These derivatives are either designated in a hedge accounting relationship or remain undesignated. Undesignated hedges only exist at Company level. The different types of hedges have been explained overleaf.

Note 26. Derivative financial instruments (continued)

Fair value hedges

The Group holds overnight index swaps where a fixed rate is either paid or received against a floating rate indexed to SONIA in order to protect the fair value of the assets (fixed rate mortgages classified under 'loans and advances to customers') or liabilities (fixed rate deposits classified under 'deposits from customers'). The Group enters into micro and portfolio fair value hedge relationships. The hedged risk is the risk of changes in the hedged item's fair value attributable to changes in the interest rate risk component of the hedged item. The interest rate identified as a risk components is SONIA and is typically the most significant component of the overall fair value change. The risk component is identified using risk management process. Fair value hedges of interest rate risk involve interest rate swaps. The Group establishes the existence of an economic relationship between the hedged item and the hedging instrument when the hedged exposure closely aligns with the designated interest rate swaps. This alignment is determined by closely matching the notional amounts in each time bucket, ensuring the reference benchmark interest rate and payment frequency are identical. The notional amounts of the interest rate swaps are designated against a proportion of mortgages. The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding hedged item, resulting in a hedge ratio of 1:1. The Group applies IAS 39 only for macro fair value hedge of interest rate risk and IFRS 9 to micro fair value hedges.

These swaps are designated as fair value hedges and changes in their fair value are included in the income statement, at the same time as an adjustment to the hedged item to reflect their hedging nature. The amount of cumulative change in fair value of the hedged item due to the hedged risk is assessed by using a hypothetical derivative method. There has been no hedge ineffectiveness on these derivatives during the year.

Cash flow hedges

The Group holds overnight index swaps where a fixed rate is paid against a floating rate indexed to SONIA in order to protect the variability of cash flows associated with future highly probable SONIA referenced funding for maturities between 5 and 6 years. The variability in cash flows due to movements in the SONIA benchmark interest rate is hedged; this risk component is identified using the Groups risk management process and encompasses the majority of cash flow variability risk. The Group establishes the existence of an economic relationship between the hedged item and the hedging instrument when the hedged exposure closely aligns with the receive floating leg of designated interest rate swaps. This alignment is determined by closely matching the notional amounts in each time bucket, ensuring the reference benchmark interest rate and payment frequency are identical. The notional amounts of the interest rate swaps are designated against floating-rate deposits. The Group establishes the hedging ratio by matching the notional amount of the derivative with the corresponding floating-rate notes, resulting in a hedge ratio of 1:1.

These swaps are designated as cash flow hedges under IFRS9, and as no ineffectiveness has occurred, all their changes in fair value are included in Other Comprehensive Income, in the Cash Flow Hedge Reserve. The amount of cumulative change in fair value of the hedged item due to the hedged risk is assessed by using a hypothetical derivative method. There has been no hedge ineffectiveness on these derivatives during the year.

Note 26. Derivative financial instruments (continued)

Hedging instruments

The following table sets out the maturity profile and average fixed interest rate of the hedging instruments used in the Group's hedge accounting strategies.

Group & company	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
As at 31/12/24						
Fair value hedges:						
Notional (£'000)	572,700	30,000	101,000	10,000	31,000	-
Average Weighted Fixed Rate	4.8 %	1.7 %	3.8 %	4.5 %	3.8 %	- %
Cash flow hedges:						
Notional (£'000)	93,333	123,333	363,833	502,500	377,000	55,000
Average Weighted Fixed Rate	4.5 %	4.6 %	3.2 %	3.8 %	3.9 %	3.5 %
As at 31/12/23						
Fair value hedges:						
Notional (£'000)	807,000	17,700	30,000	56,000	10,000	-
Average Weighted Fixed Rate	5.4 %	5.5 %	1.7 %	- %	- %	- %
Cash flow hedges:						
Notional (£'000)	-	-	280,000	328,000	405,000	105,000
Average Weighted Fixed Rate	- %	- %	4.6 %	3.1 %	3.8 %	4.3 %

Note 26. Derivative financial instruments (continued)

The tables below provide further detail on the Group's fair value hedges and cash flow hedges used in hedge relationships:

Group & company	Notional amount £'000	Fair value of assets [1] £'000	Fair value of liabilities [1] £'000	Changes in fair value recognised in income statement [2] £'000	Changes in fair value recognised in OCI [3] £'000	Amounts reclassified from OCI to income statement [5] £'000	Hedge ineffectiveness recognised in income statement [4] £'000
As at 31/12/24							
Fair value hedges: Interest rate swaps	744,700	3,133	(1,539)	(386)	-	-	-
Cash flow hedges: Interest rate swaps	1,515,000	20,408	(6,534)	-	31,862	(11,806)	-
As at 31/12/23							
Fair value hedges: Interest rate swaps	920,700	6,208	(2,893)	(479)	-	-	-
Cash flow hedges: Interest rate swaps	1,118,000	13,362	(19,625)	-	(20,264)	(6,759)	-

[1] Included in the derivative financial instruments lines in the statement of financial position. The fair value of assets and liabilities includes accrued interest of £109k and £(431k), respectively for fair value hedges. For the cash flow hedges, the fair value of assets and liabilities includes accrued interest of £475k and £(20k), respectively.

[2] The clean fair value change during the year that was used as the basis for calculating hedge ineffectiveness and which was recognised in the income statement during the year in Fair value gains and losses on financial instruments in the net interest income.

[3] The clean fair value change during the year that was used as the basis for calculating hedge ineffectiveness and is recognised in Cash flow hedges: Gains/(losses) arising during the year line of other comprehensive income/(loss).

[4] The amount of hedge ineffectiveness recognised in the income statement in the year. The income statement line that includes the hedge ineffectiveness recognised during the year is Fair value gains and losses on financial instruments in the net interest income.

[5] The amount reclassified from OCI to the income statement is recorded other financial income/(expense) in net interest income.

Note 26. Derivative financial instruments (continued)

The tables below provide further detail on the Group's hedged items:

	Group			Company		
	Carrying amount of hedged item asset/(liability)	Accumulated fair value adjustment on hedged item asset/(liability)	Change in value of hedged item used to determine hedge ineffectiveness	Carrying amount of hedged item asset/(liability)	Accumulated fair value adjustment on hedged item asset/(liability)	Change in value of hedged item used to determine hedge ineffectiveness
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31/12/24						
Fair value hedges						
Fixed rate loans and advances to customers	172,000	(2,017)	(802)	-	-	-
Fixed rate deposits	(572,700)	90	1,193	(572,700)	90	1,193
Total fair value hedges	**(400,700)**	**(1,927)**	**391**	**(572,700)**	**90**	**1,193**
As at 31/12/23						
Fair value hedges						
Fixed rate loans and advances to customers	101,000	(1,215)	4,251	-	-	-
Fixed rate deposits	(819,700)	(1,103)	(2,944)	(819,700)	(1,103)	(2,944)
Total fair value hedges	**(718,700)**	**(2,318)**	**1,307**	**(819,700)**	**(1,103)**	**(2,944)**

Note 26. Derivative financial instruments (continued)

The tables on the following pages summarise the financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements, as well as financial collateral received to mitigate credit exposures for these financial assets, and whether offset is achieved in the Statement of Financial Position:

		Netting potential not recognised on the statement of financial position			Assets/(liabilities) not subject to netting arrangements		Maximum exposure to risk
Group & Company	Gross assets/ (liabilities) before offset[1]	Collateral received	Collateral paid	Assets/(Liabilities) after consideration of netting potential	Assets/(Liabilities) recognised on the statement of financial position	Total assets/ (liabilities) recognised in the statement of financial position	After consideration of netting potential
As at 31/12/24	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Derivative financial assets	23,541	(25,358)	-	-	-	23,541	-
Derivative financial liabilities	(8,073)	-	8,696	-	-	(8,073)	-
	15,468	**(25,358)**	**8,696**	**-**	**-**	**15,468**	**-**
As at 31/12/23							
Derivative financial assets	19,570	(29,660)	-	-	-	19,570	-
Derivative financial liabilities	(22,518)	-	34,128	-	-	(22,518)	-
	(2,948)	**(29,660)**	**34,128**	**-**	**-**	**(2,948)**	**-**

1 The previous period figure is adjusted to reflect the fair value including accrued interest, as the collateral would be recognisable against the dirty fair value in an event of default.

Details of how the hedging programme fits into the Group's approach to interest rate management are set out in Note 27 below. Further quantitative disclosures on the derivative assets and liabilities are also given in notes 27-29 on financial assets and liabilities.

Note 27. Financial assets and liabilities

Financial risk management objectives

Allica's operations expose it to a variety of financial risks: market risk (in the form of interest rate risk), credit risk and liquidity risk. A core objective of Allica is the effective management of risk. The responsibility for identifying and managing the key risks ultimately rests with Allica's Board of Directors. The Board has ultimate responsibility for setting Allica's strategy, risk appetite and control framework. Allica has developed its Risk Management Framework as the basis for a comprehensive internal governance and controls structure for the management and control of risks.

Risk Management Framework

The Board approved Risk Management Framework ("RMF") sets out how the Group manages risks and governs the approach to the management of all risks to which the Group is exposed, including, but not limited to, risks arising from financial, economic, operational and behavioural factors. The structure, processes, ownership, responsibilities and the risk oversight required to support its effective implementation across the Group are all identified within the framework. The risk management framework utilises the "three lines of defence" model, reinforcing the need for first line ownership and management of risk with second and third line oversight.

Risk Appetite Statement

The Board sets an overarching expression of Risk appetite which is articulated through the Group's Risk Appetite Statement that determines the level of risk the Group is willing to take in pursuit of its mission to build a profitable and sustainable business, even in times of stress. The Group uses a mix of qualitative and quantitative measures across principal risk types, reflecting its appetite and capacity for risk absorption through the cycle. Key Risk Indicators are set, allowing the Group to monitor its risk exposure, in conjunction with Early Warning Indicators which enable management action prior to any breach of appetite. The Group recognises that risk and its management lie at the centre of the Group's operations. It therefore identifies its principal risks in order that effective controls can be applied to them. Principal risks are monitored and reported each month to Risk Management Committee and to Board Risk Committee each quarter for challenge and debate.

Capital management

There is a risk that the Group fails to maintain adequate capital resources to meet its regulatory obligations, sustain the aims of the corporate plan or to absorb unexpected losses if they were to occur.

Causes of inadequate capital could include a high level of default on customer lending, large unexpected operational or credit losses, or the inability to raise additional capital in a timely manner.

Capital risk appetite is set by the Board so that the Group maintains sufficient capital in excess of regulatory requirements. Allica undertakes an assessment of its capital requirements through its Internal Capital Adequacy Assessment Process (ICAAP). This is refreshed annually, or more frequently if required, and is submitted to the PRA following Board approval. In their review of the ICAAP document the PRA advise the Group on its Total Capital Requirement based on the proposal detailed in the ICAAP, plus any appropriate additional buffers, which dictate the minimum level of regulatory capital that must be maintained. Allica follows the Standardised/ Basic Indicator approaches for respectively credit risk and operational risk capital. Allica has complied with all regulatory minimum requirements throughout the period.

The Principal Committee at which the Group's capital is scrutinised and managed is ALCO with key capital metrics being the current and projected surplus of capital resources over regulatory capital requirements and Capital Life Expectancy. The Board, Board Risk Committee and Executive Committee also receive reporting and commentary on capital risk and projections of capital usage and surplus.

Note 27. Financial assets and liabilities (continued)

Risks

Credit risk

Credit risk is the risk of a customer defaulting on its obligations under a Lending Facility and/or the value of any collateral held falling in value resulting in Allica suffering a financial loss. The Group also considers and manages concentration risk. This is defined as the risk of losses arising as a result of concentrations of exposures due to imperfect diversification. The imperfect diversification can arise with respect to a specific customer or other counterparty, industry sector, region or product.

Allica manages this risk through its Risk Appetite Statement which includes specific Risk Appetite and Early Warning Indicators for product lines, sectors, geographies and single name. Limits are set for Market Counterparties including nostro balances, deposit of surplus cash positions, investment of the Group's liquidity, and hedging activities.

The Group is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on customer lending balances. The maximum exposure to credit risk on financial assets, undrawn facilities and commitments is shown below:

	Group		Company	
	As at 31/12/24	As at 31/12/23	As at 31/12/24	As at 31/12/23
	£'000	£'000	£'000	£'000
Included in the Statement of Financial Position:				
Cash and balances at central banks	1,377,979	718,805	1,377,979	718,805
Loans and advances to banks	124,617	87,763	116,833	84,406
Debt securities	301,379	115,774	301,379	115,774
Derivative financial instruments	23,541	19,570	23,541	19,569
Loans and advances to customers	3,081,809	1,998,815	1,861,146	1,270,718
Other financial assets	6,309	2,578	2,973	1,991
Not included in the Statement of Financial Position:				
Commitments to lend	181,476	95,053	162,488	94,474
Gross credit risk exposure	**5,097,110**	**3,038,358**	**3,846,339**	**2,305,737**
Less: allowance for impairment losses on loans and advances	(33,046)	(21,989)	(11,867)	(14,090)
Less: allowance for impairment losses on loan commitments	(646)	(991)	(476)	(937)
Net credit risk exposure	**5,063,418**	**3,015,378**	**3,833,996**	**2,290,710**

Note 27. Financial assets and liabilities (continued)

Credit risk exposures

Given the relative significance of customer lending exposures to the overall Group's credit risk position the following assessment is principally focused on loans and advances to customers. These exposures exclude adjustments for EIR and other minor adjustments made to the principal balance of Loans and advances to customers.

i. Staging profile of customer lending

The following table provides additional information on the staging profile of the Group's customer lending:

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Group	£'000	£'000	£'000
As at 31/12/24			
Loans and advances to customers			
Stage 1	1,950,557	759,587	2,710,144
Stage 2	217,739	90,854	308,593
Stage 3	32,253	27,224	59,477
POCI	13,598	8,555	22,153
Gross exposure	**2,214,147**	**886,220**	**3,100,367**
Expected credit loss			
Stage 1	4,507	8,578	13,085
Stage 2	2,356	3,772	6,128
Stage 3	4,670	8,322	12,992
POCI	806	35	841
Total impairment provision	**12,339**	**20,707**	**33,046**
Coverage			
Stage 1	0.2 %	1.1 %	0.5 %
Stage 2	1.1 %	4.2 %	2.0 %
Stage 3	14.5 %	30.6 %	21.8 %
POCI	5.9 %	0.4 %	3.8 %
Coverage ratio	**0.6 %**	**2.3 %**	**1.1 %**

Note 27. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Group	£'000	£'000	£'000
As at 31/12/23			
Loans and advances to customers			
Stage 1	1,368,528	429,218	1,797,745
Stage 2	134,476	37,315	171,791
Stage 3	22,866	7,227	30,093
POCI	-	-	-
Gross exposure	**1,525,870**	**473,760**	**1,999,629**
Expected credit loss			
Stage 1	8,074	5,741	13,815
Stage 2	2,757	1,099	3,856
Stage 3	2,900	1,418	4,318
POCI	-	-	-
Total impairment provision	**13,731**	**8,258**	**21,989**
Coverage			
Stage 1	0.6 %	1.3 %	0.8 %
Stage 2	2.1 %	2.9 %	2.2 %
Stage 3	12.7 %	19.6 %	14.3 %
POCI	- %	- %	- %
Coverage ratio	**0.9 %**	**1.7 %**	**1.1 %**

Note 27. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Company	£'000	£'000	£'000
As at 31/12/24			
Loans and advances to customers			
Stage 1	1,601,764	41,368	1,643,132
Stage 2	187,086	7,253	194,339
Stage 3	25,277	5,422	30,699
Gross exposure	**1,814,127**	**54,043**	**1,868,170**
Expected credit loss			
Stage 1	2,055	330	2,385
Stage 2	4,030	914	4,944
Stage 3	10,044	1,806	11,850
Total impairment provision	**16,129**	**3,050**	**19,179**
Coverage			
Stage 1	0.1 %	0.8 %	0.1 %
Stage 2	2.2 %	12.6 %	2.5 %
Stage 3	39.7 %	33.3 %	38.6 %
Coverage ratio	**0.9 %**	**5.6 %**	**1.0 %**

Note 27. Financial assets and liabilities (continued)

i. Staging profile of customer lending (continued)

	Credit exposure		
	Loans secured on property	Other loans and advances	Total
Company	£'000	£'000	£'000
As at 31/12/23			
Loans and advances to customers			
Stage 1	1,083,786	50,875	1,134,661
Stage 2	110,206	8,682	118,888
Stage 3	22,541	5,153	27,694
Gross exposure	**1,216,533**	**64,710**	**1,281,243**
Expected credit loss			
Stage 1	7,398	756	8,154
Stage 2	2,067	210	2,277
Stage 3	2,889	770	3,659
Total impairment provision	**12,354**	**1,736**	**14,090**
Coverage			
Stage 1	0.7 %	1.5 %	0.7 %
Stage 2	1.9 %	2.4 %	1.9 %
Stage 3	12.8 %	14.9 %	13.2 %
Coverage ratio	**1.0 %**	**2.7 %**	**1.1 %**

Note 27. Financial assets and liabilities (continued)

ii. Stage 2 balances

The table below provides information on which triggers have caused loans held by the Bank to be classified as Stage 2. As each loan is only presented in a single row of the table below, where a loan satisfies more than one criteria, it is categorised depending on which trigger it satisfied first (in the order presented).

	Group					
	As at 31/12/24			As at 31/12/23		
Stage 2 balances	Credit exposure	Expected credit loss	Coverage	Credit exposure	Expected credit loss	Coverage
	£'000	£'000	%	£'000	£'000	%
Arrears trigger	15,098	674	4.5 %	5,304	375	7.1 %
Qualitative factors	35,948	419	1.2 %	41,654	827	2.0 %
Probation (cured)	12,406	82	0.7 %	22,574	520	2.3 %
PD deterioration and other	154,287	1,181	0.8 %	64,943	1,035	1.6 %
Loans secured on property	**217,739**	**2,356**	**1.1 %**	**134,476**	**2,757**	**2.1 %**
Arrears trigger	5,237	639	12.2 %	232	12	5.2 %
Qualitative factors	8,825	739	8.4 %	22,164	785	3.5 %
Probation (cured)	1,570	48	3.1 %	4,601	124	2.7 %
PD deterioration and other	75,222	2,346	3.1 %	10,318	179	1.7 %
Other loans and advances	**90,854**	**3,772**	**4.2 %**	**37,315**	**1,099**	**2.9 %**
Total stage 2	**308,593**	**6,128**	**2.0 %**	**171,791**	**3,856**	**2.2 %**

Note 27. Financial assets and liabilities (continued)

iii. Stage 3 balances

The table below provides information on which triggers have caused loans held by the Bank to be classified as Stage 3. As each loan is only presented in a single row of the table below, where a loan satisfies more than one criteria, it is categorised depending on which trigger it satisfied first (in the order presented).

	Group					
Group	**As at 31/12/24**			**As at 31/12/23**		
Stage 3 balances	Credit exposure	Expected credit loss	Coverage	Credit exposure	Expected credit loss	Coverage
	£'000	£'000	%	£'000	£'000	%
Arrears trigger	8,566	1,120	13.1 %	7,532	1,479	19.6 %
Qualitative factors	23,687	3,550	15.0 %	15,334	1,421	9.3 %
Loans secured on property	**32,253**	**4,670**	**14.5 %**	**22,866**	**2,900**	**12.7 %**
Arrears trigger	4,498	929	20.7 %	3,445	540	15.7 %
Qualitative factors	22,726	7,393	32.5 %	3,781	878	23.2 %
Other loans and advances	**27,224**	**8,322**	**30.6 %**	**7,227**	**1,418**	**19.6 %**
Total stage 3	**59,477**	**12,992**	**21.8 %**	**30,093**	**4,318**	**14.3 %**

Note 27. Financial assets and liabilities (continued)

iv. Sectoral concentration

The table below provides information on the sectoral concentration of total drawn exposures. Concentration is important for understanding the asset quality of the Group's portfolio.

	Group					
	As at 31/12/24			As at 31/12/23		
	Credit exposure	Expected credit loss	Concentration	Credit exposure	Expected credit loss	Concentration
	£'000	£'000	%	£'000	£'000	%
Accommodation and food	191,722	2,167	6.2 %	133,534	1,719	6.7 %
Activities of households	22,537	172	0.7 %	13,866	424	0.7 %
Administrative and support	168,312	2,552	5.4 %	108,966	1,344	5.4 %
Agriculture, forestry and fishing	55,324	536	1.8 %	20,944	260	1.0 %
Arts, entertainment and recreation	21,354	553	0.7 %	16,514	588	0.8 %
Construction	261,076	4,527	8.4 %	149,101	1,831	7.5 %
Education	26,295	527	0.8 %	24,515	194	1.2 %
Financial and insurance	123,221	1,434	4.0 %	53,503	1,031	2.7 %
Human health and social work	122,450	1,763	3.9 %	84,734	1,044	4.2 %
Information and communication	48,429	1,011	1.6 %	25,510	243	1.3 %
Manufacturing	142,552	1,910	4.6 %	74,221	742	3.7 %
Professional, scientific and technical activities	94,757	1,891	3.1 %	55,406	747	2.8 %
Real estate (Buy to Let)	288,410	630	9.3 %	292,181	1,236	14.6 %
Real estate activities	998,994	5,093	32.2 %	598,986	5,115	30.0 %
Transportation and storage	153,528	1,787	5.0 %	110,348	1,434	5.5 %
Water supply; sewerage and waste management	34,390	716	1.1 %	30,933	303	1.5 %
Wholesale and retail trade	269,894	4,316	8.7 %	157,157	3,088	7.9 %
Other	77,122	1,461	2.5 %	49,210	646	2.5 %
	3,100,367	**33,046**	**100.0 %**	**1,999,629**	**21,989**	**100.0 %**

Note 27. Financial assets and liabilities (continued)

v. Geographic concentration

The table below provides information on the geographic concentration of the loan book secured on property:

	Group					
	As at 31/12/24			As at 31/12/23		
	Credit exposure	Expected credit loss	Concentration	Credit exposure	Expected credit loss	Concentration
	£'000	£'000	%	£'000	£'000	%
East	159,909	892	7.2 %	125,668	1,075	8.2 %
London	534,608	1,942	24.1 %	349,147	2,595	22.9 %
Midlands	351,483	1,836	15.9 %	250,662	2,373	16.4 %
North & Scotland	383,467	1,707	17.3 %	261,565	2,130	17.1 %
South East	384,169	3,025	17.4 %	256,769	2,098	16.8 %
South West & Wales	252,650	1,419	11.4 %	167,999	1,592	11.0 %
Yorkshire & Humber	147,861	1,518	6.7 %	114,061	1,868	7.5 %
Outside UK	-	-	- %	-	-	- %
	2,214,147	**12,339**	**100.0 %**	**1,525,870**	**13,730**	**100.0 %**

Note 27. Financial assets and liabilities (continued)

vi. Collateral

Within loans and advances to customers, the Group obtains collateral for its exposures. Amounts may be secured by a first or second charge over property. The quality of the Group's property secured portfolio can be considered with reference to the average LTV, as set out in the tables below:

	Group							
	As at 31/12/24				As at 31/12/23			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
LTV	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
≤55%	448,843	21,650	5,895	1,916	290,695	26,354	4,273	-
>55%, ≤60%	169,573	15,229	1,134	131	101,470	12,429	1,205	-
>60%, ≤65%	236,455	29,194	1,527	443	146,479	12,040	2,401	-
>65%, ≤70%	221,598	34,115	5,276	1,582	142,880	13,960	2,548	-
>70%, ≤75%	321,807	28,316	2,189	1,322	223,130	21,872	4,266	-
>75%, ≤80%	287,191	47,809	7,703	5,947	224,106	26,313	2,429	-
>80%, ≤100%	216,195	38,710	6,906	1,820	203,775	19,350	5,745	-
>100%	48,894	2,717	1,623	437	35,992	2,158	-	-
Total	**1,950,556**	**217,740**	**32,253**	**13,598**	**1,368,528**	**134,476**	**22,866**	**-**

Note 27. Financial assets and liabilities (continued)

vii. Credit risk exposure and impairment provision by internal IFRS 9 PD rating and IFRS 9 stage allocation

The distribution of the Group's credit risk exposures by internal PD rating is analysed below:

	Group							
	PD range	Stage 1	Stage 2	Stage 3	POCI	Balance	Provisions	Coverage ratio
	%	£'000	£'000	£'000	£'000	£'000	£'000	%
As at 31/12/24								
Low	<1.48%	854,812	39,450	136	131	894,529	2,460	0.3 %
Medium	1.48%-6.47%	1,742,006	223,398	1,388	5,897	1,972,689	11,845	0.6 %
High	>6.47%	113,326	45,745	3,836	7,570	170,477	6,219	3.6 %
Default	100.00 %	-	-	54,117	8,555	62,673	12,522	20.0 %
Total		**2,710,144**	**308,593**	**59,477**	**22,153**	**3,100,368**	**33,046**	**1.1 %**
As at 31/12/23								
Low	<2.47%	897,709	18,018	-	-	915,727	5,115	0.6 %
Medium	2.47%-6.09%	895,110	139,105	-	-	1,034,215	12,004	1.2 %
High	>6.09%	4,926	14,668	-	-	19,594	551	2.8 %
Default	100.00 %	-	-	30,093	-	30,093	4,318	14.4 %
Total		**1,797,745**	**171,791**	**30,093**	**-**	**1,999,629**	**21,989**	**1.1 %**

Note 27. Financial assets and liabilities (continued)

viii. Movement in loans and advances to customers and impairment provision

The following table provides an analysis of movements during the year in the loss allowance associated with loans and advances to customers. The table is compiled by comparing the position at the end of the year to that at the beginning of the year. Transfers between stages are deemed to have taken place at the start of the year, with all other movements shown in the stage in which the asset is held at the end of the year.

	Stage 1		Stage 2		Stage 3		POCI	
	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31/12/22	1,277,413	5,667	86,511	1,815	9,188	1,495	-	-
Improvement in Credit Exposure								
Stage 2 to Stage 1	23,980	535	(23,980)	(535)	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-	-	-	-
Stage 3 to Stage 2	-	-	1,296	56	(1,296)	(56)	-	-
Deterioration in credit exposure								
Stage 1 to Stage 2	(86,955)	(364)	86,955	364	-	-	-	-
Stage 1 to Stage 3	(19,684)	(109)	-	-	19,684	108	-	-
Stage 2 to Stage 3	-	-	(2,558)	(62)	2,558	63	-	-
Opening Balance after transfers	**1,194,754**	**5,729**	**148,224**	**1,638**	**30,134**	**1,610**	**-**	**-**
Movements during the year								
Repayments of loans and advances	(203,346)	-	(17,339)	-	(2,375)	-	-	-
Movement in ECL due to model and exposure changes	-	557	-	992	-	1,996	-	-
Changes due to new business	806,337	7,528	40,906	1,226	2,184	562	-	-
Bad debts written off	-	-	-	-	150	150	-	-
As at 31/12/23	**1,797,745**	**13,814**	**171,791**	**3,856**	**30,093**	**4,318**	**-**	**-**

Note 27. Financial assets and liabilities (continued)

	Stage 1		Stage 2		Stage 3		POCI	
	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss	Credit Exposure	Expected Credit Loss
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31/12/23	1,797,745	13,814	171,791	3,856	30,093	4,318	-	-
Improvement in Credit Exposure								
Stage 2 to Stage 1	79,200	1,303	(79,200)	(1,303)	-	-	-	-
Stage 3 to Stage 1	30	-	-	-	(30)	-	-	-
Stage 3 to Stage 2			958	140	(958)	(140)	-	-
Deterioration in credit exposure								
Stage 1 to Stage 2	(204,323)	(2,638)	204,323	2,638	-	-	-	-
Stage 1 to Stage 3	(16,368)	(356)	-	-	16,368	356	-	-
Stage 2 to Stage 3	-	-	(7,397)	(344)	7,397	344	-	-
Opening Balance after transfers	**1,656,284**	**12,123**	**290,475**	**4,987**	**52,870**	**4,878**	**-**	**-**
Movements during the year								
Repayments of loans and advances	(290,486)	-	(59,718)	-	(24,444)	-	-	-
Movement in ECL due to model and exposure changes	-	(7,456)	-	(1,285)	-	18	-	-
Changes due to new business	1,344,347	8,418	77,837	2,426	29,746	6,791	22,153	841
Bad debts written off	-	-	-	-	1,305	1,305	-	-
As at 31/12/24	**2,710,145**	**13,085**	**308,594**	**6,128**	**59,477**	**12,992**	**22,153**	**841**

Note 27. Financial assets and liabilities (continued)

Interest rate risk

There is a risk that the Group's expected capital and earnings are eroded due to movements in interest rates. This could be caused by timing mismatches in the maturity and repricing of assets and liabilities, exposures arising from hedge positions, or changes in the slope or shape of an anticipated yield curve. If this risk were to occur, it would adversely affect performance against the corporate plan and potentially result in a financial loss.

As of 31 December 2024, the Group shows a net asset position on the medium long part of the interest rate curve (above 12 months). Therefore, in terms of the change in the Economic Value (EV) of the banking book, it is exposed to an upward movement of the curve. This is driven by the origination of fixed rate assets with a repricing period of 3-5 years. The assets are funded by time deposits with shorter repricing period of 12-24 months. The change in EV is limited and managed through interest rates swaps (IRS).

In line with regulatory reporting requirements, the Group evaluates the impact of a parallel 200 basis points movement in interest rates on the Group's economic value of equity as follows:

+200bps - £4,427k (negative)
-200bps - £5,196k (positive)

Hedging programme

When the Group originates fixed rate term deposits or fixed rate assets it becomes exposed to interest rate risk, as the fair value of those fixed rate assets and liabilities may change over time driven by the fluctuations of the OIS curve. Therefore, the Group enters into interest rate swaps, receiving or paying fixed rates and paying or receiving SONIA benchmark.

At the same time, when the Group assumes variable SONIA funding, it becomes exposed to interest rate risk, as the cash flows of interest to pay due to SONIA may change over time. Therefore, the Group enters into interest rate swaps, paying fixed rates and receiving SONIA benchmark.

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

As per above, a hedging ratio of 1:1 is set by comparing the notional of the derivatives with the principal amount of the hedged items. Potential sources of hedge accounting ineffectiveness may include: (a) Credit risk of both counterparties under the swap (bilateral credit value adjustment), which is mitigated by collateralisation, (b) change in the timing of the occurrence of the cash flows being hedged, and (c) the hedged transactions being no longer highly probable (for instance if repaid prior to maturity), hence the notional of the hedging instrument being larger than the actual expected exposure. No sources of hedge accounting ineffectiveness have been identified during the year. Further details of these hedges are set out in note 26 above.

Note 27. Financial assets and liabilities (continued)

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to meet obligations as and when they become due and payable, which it manages under its internal liquidity adequacy assessment process (ILAAP).

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Note 29 'Contractual maturity of the financial assets and liabilities' below sets out this analysis.

The Group initially recognises all financial assets and liabilities it holds at fair value and subsequently at amortised cost. Loans to customers are held at amortised cost, net of provisions for expected credit losses.

Climate-related financial risks

The Group may be exposed to climate-related risks in relation to its financial instruments through its lending and other financial intermediary activities. The Group is committed to minimising its impact on the environment and ensuring that climate-related financial risks are well managed. The Group's approach to climate-related financial risk has been an important area of focus in 2024 as it continued to embed climate risk into its Risk Management Framework, with both physical and transitional risks being factored into its Credit Policy.

Note 27. Financial assets and liabilities (continued)

Financial assets and liabilities by measurement basis

Group	Held at amortised cost £'000	Held at fair value through profit or loss £'000	Held at fair value through other comprehensive income £'000	Total £'000
As at 31/12/24				
Financial assets				
Cash and balances at central banks	1,377,979	-	-	1,377,979
Loans and advances to banks	124,617	-	-	124,617
Debt securities	-	-	301,379	301,379
Derivative financial instruments	-	23,541	-	23,541
Loans and advances to customers	3,048,763	-	-	3,048,763
Investments	-	1,000	-	1,000
Other financial assets	6,309	-	-	6,309
	4,557,668	**24,541**	**301,379**	**4,883,588**
Financial liabilities				
Deposits from banks	(16,840)	-	-	(16,840)
Derivative financial instruments	-	(8,073)	-	(8,073)
Credit-linked notes	(46,429)	-	-	(46,429)
Deposits from customers	(4,428,095)	-	-	(4,428,095)
Trade creditors	(1,295)	-	-	(1,295)
Accruals	(12,531)	-	-	(12,531)
Other financial liabilities	(2,632)	-	-	(2,632)
Subordinated liabilities	(38,714)	-	-	(38,714)
Lease liability	(374)	-	-	(374)
	(4,546,910)	**(8,073)**	**-**	**(4,554,983)**

Note 27. Financial assets and liabilities (continued)

Company	Held at amortised cost £'000	Held at fair value through profit or loss £'000	Held at fair value through other comprehensive income £'000	Total £'000
As at 31/12/24				
Financial assets				
Cash and balances at central banks	1,377,979	-	-	1,377,979
Loans and advances to banks	116,833	-	-	116,833
Debt securities	-	-	301,379	301,379
Derivative financial instruments	-	23,541	-	23,541
Loans and advances to customers	1,849,279	-	-	1,849,279
Investments	-	1,000	-	1,000
Amounts due from subsidiaries	1,214,877	-	-	1,214,877
Other financial assets	2,973	-	-	2,973
	4,561,941	**24,541**	**301,379**	**4,887,861**
Financial liabilities				
Deposits from banks	(16,840)	-	-	(16,840)
Derivative financial instruments	-	(8,073)	-	(8,073)
Credit-linked notes	(46,429)	-	-	(46,429)
Customer deposits	(4,428,095)	-	-	(4,428,095)
Trade creditors	(1,155)	-	-	(1,155)
Accruals	(12,298)	-	-	(12,298)
Other financial liabilities	(2,542)	-	-	(2,542)
Subordinated liabilities	(38,714)	-	-	(38,714)
Lease liability	(374)	-	-	(374)
	(4,546,447)	**(8,073)**	**-**	**(4,554,520)**

Note 27. Financial assets and liabilities (continued)

Group	Held at amortised cost £'000	Held at fair value through profit or loss £'000	Held at fair value through other comprehensive income £'000	Total £'000
As at 31/12/23				
Financial assets				
Cash and balances at central banks	718,805	-	-	718,805
Loans and advances to banks	87,763	-	-	87,763
Debt securities	-	-	115,774	115,774
Derivative financial instruments	-	19,570	-	19,570
Loans and advances to customers	1,976,826	-	-	1,976,826
Investments	-	1,000	-	1,000
Other financial assets	2,578	-	-	2,578
	2,785,972	**20,570**	**115,774**	**2,922,316**
Financial liabilities				
Deposits from banks	(3,485)	-	-	(3,485)
Derivative financial instruments	-	(22,518)	-	(22,518)
Customer deposits	(2,633,247)	-	-	(2,633,247)
Trade creditors	(703)	-	-	(703)
Accruals	(7,773)	-	-	(7,773)
Other financial liabilities	(794)	-	-	(794)
Subordinated liabilities	(7,500)	-	-	(7,500)
Lease liability	(887)	-	-	(887)
	(2,654,389)	**(22,518)**	**-**	**(2,676,907)**

Note 27. Financial assets and liabilities (continued)

Company	Held at amortised cost £'000	Held at fair value through profit or loss £'000	Held at fair value through other comprehensive income £'000	Total £'000
As at 31/12/23				
Financial assets				
Cash and balances at central banks	718,805	-	-	718,805
Loans and advances to banks	84,406	-	-	84,406
Debt securities	-	-	115,774	115,774
Derivative financial instruments	-	19,570	-	19,570
Loans and advances to customers	1,256,626	-	-	1,256,626
Investments	-	1,000	-	1,000
Amounts due from subsidiaries	735,806	-	-	735,806
Other financial assets	1,991	-	-	1,991
	2,797,634	**20,570**	**115,774**	**2,933,978**
Financial liabilities				
Deposits from banks	(3,485)	-	-	(3,485)
Derivative financial instruments	-	(22,518)	-	(22,518)
Customer deposits	(2,633,247)	-	-	(2,633,247)
Trade creditors	(693)	-	-	(693)
Accruals	(7,189)	-	-	(7,189)
Other financial liabilities	(799)	-	-	(799)
Subordinated liabilities	(7,500)	-	-	(7,500)
Lease liability	(887)	-	-	(887)
	(2,653,800)	**(22,518)**	**-**	**(2,676,318)**

Note 28. Financial assets and liabilities by levels of inputs

The fair value of financial assets and liabilities is the price that would be received or paid to transfer an asset or liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the group can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1, including balances held with third parties that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Group & Company	£'000	£'000	£'000	£'000
As at 31/12/24				
Assets				
Debt securities	301,379	-	-	301,379
Derivatives financial assets	-	23,541	-	23,541
Investments	-	-	1,000	1,000
Total assets measured at fair value	**301,379**	**23,541**	**1,000**	**325,920**
Liabilities				
Derivatives financial liabilities	-	8,073	-	8,073
Other liabilities	-	-	970	970
Total liabilities measured at fair value	**-**	**8,073**	**970**	**9,043**

Note 28. Financial assets and liabilities by levels of inputs (continued)

	Level 1	Level 2	Level 3	Total
Group & Company	£'000	£'000	£'000	£'000
As at 31/12/23				
Assets				
Debt securities	115,774	-	-	115,774
Derivatives financial assets	-	19,570	-	19,570
Investments	-	-	1,000	1,000
Total assets measured at fair value	**115,774**	**19,570**	**1,000**	**136,344**
Liabilities				
Derivatives financial instruments	-	22,518	-	22,518
Total liabilities measured at fair value	**-**	**22,518**	**-**	**22,518**

There were no transfers between levels during the financial year.

Debt securities: fair values of Bonds and Treasury Bills are obtained from quoted market prices in active markets.

Derivative financial instruments: these have been valued by discounting the future cash flows estimated to be paid or received under those contracts using a valuation technique that uses data inputs from short term rates, futures, and swap rates.

Investments: these are valued using appropriate valuation techniques such as discounted cash flow models.

Other liabilities: these relate to the fair value of the earnout on the acquisition of a subsidiary, as described in note 32. These are valued using appropriate valuation techniques such as discounted cash flow models and through management's review and assessment of forecasts.

Based on values as at 31 December 2024, a movement of +/- 0.25% in interest rates would have the following impact on the net carrying value of the derivative instruments, other comprehensive income and the income statement:

	Change in Fair Value	Other Comprehensive Income	Income Statement
	£'000	£'000	£'000
+0.25%	9,304	9,305	(1)
-0.25%	(9,414)	(9,415)	1

Note 28. Financial assets and liabilities by levels of inputs (continued)

Financial instruments held at amortised cost
The carrying amounts for financial instruments held at amortised cost are assumed to approximate their fair values. All the fair values of financial assets and liabilities carried at amortised cost are considered to be Level 2 valuations which are determined using directly or indirectly observable inputs other than unadjusted quoted prices, except for loans and advances to customers which are Level 3.

Cash at central banks, loans and advances to banks, funds held in client accounts, trade and other receivables and trade and other payables: these are assumed to approximate their fair values, as they are either short-term in nature or re-price frequently.

Loans and advances to customers: carrying amount is obtained by deducting expected credit losses from the gross carrying amount of loans and advances to customers. At the balance sheet date, the carrying values are assumed to approximate fair values (reflecting the impact of the fair value hedges on the fixed rate mortgages – see note 26).

Other assets: payment made in advance to client account and hence fair value approximates to carrying amount as there is minimal credit losses and short-term in nature.

Deposits from customers: at the balance sheet date the carrying values of deposits from customers are assumed to approximate fair values. For fixed rate deposits from customers, this reflects the impact of the fair value hedges, which hedge against material movements in the fair value of fixed rate deposits from customers – see note 26.

Other liabilities: payment to suppliers and hence fair value approximates to carrying amount as there is minimal credit losses and short-term in nature.

Accounting policy for fair value measurement
When an asset or liability, financial or non- financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 29. Contractual maturity of the financial assets and liabilities

Financial assets and liabilities by maturity as at 31 December 2024 (Group)	Less than 3 months £'000	3 months to 1 year £'000	1 year to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets					
Cash and balances at central banks	1,377,979	-	-	-	1,377,979
Loans and advances to banks	124,617	-	-	-	124,617
Debt securities	131,959	138,821	30,599	-	301,379
Derivative financial instruments	3,218	8,290	13,211	32	24,751
Loans and advances to customers	207,003	464,295	1,767,246	2,087,760	4,526,304
Other financial assets	6,309	-	-	-	6,309
	1,851,085	**611,406**	**1,811,056**	**2,087,792**	**6,361,339**
Financial liabilities					
Trade payables	(1,295)	-	-	-	(1,295)
Accruals	(12,531)	-	-	-	(12,531)
Derivative financial instruments	(324)	(1,519)	(6,908)	(4)	(8,755)
Deposits from customers	(3,714,943)	(717,988)	(19,368)	-	(4,452,299)
Subordinated liabilities	(1,650)	(2,550)	(23,850)	(46,500)	(74,550)
Other financial liabilities	(2,632)	-	-	-	(2,632)
Lease liability	(139)	(239)	-	-	(378)
	(3,733,514)	**(722,296)**	**(50,126)**	**(46,504)**	**(4,552,440)**
Loan commitments	181,476	-	-	-	181,476

Note 29. Contractual maturity of the financial assets and liabilities (continued)

Financial assets and liabilities by maturity as at 31 December 2024 (Company)	Less than 3 months £'000	3 months to 1 year £'000	1 year to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets					
Cash and balances at central banks	1,377,979	-	-	-	1,377,979
Loans and advances to banks	116,833	-	-	-	116,833
Debt securities	131,959	138,821	30,599	-	301,379
Derivative financial instruments	2,742	6,973	11,864	32	21,611
Loans and advances to customers	73,952	159,160	1,067,242	2,060,443	3,360,797
Other financial assets	2,973	-	-	-	2,973
	1,706,438	**304,954**	**1,109,705**	**2,060,475**	**5,181,572**
Financial liabilities					
Trade creditors	(1,155)	-	-	-	(1,155)
Accruals	(12,298)	-	-	-	(12,298)
Derivative financial instruments	(310)	(1,329)	(6,076)	(4)	(7,719)
Deposits from customers	(3,702,790)	(708,971)	(16,424)	-	(4,428,185)
Subordinated liabilities	(1,650)	(2,550)	(23,850)	(46,500)	(74,550)
Other financial liabilities	(2,542)	-	-	-	(2,542)
Lease liability	(139)	(239)	-	-	(378)
	(3,720,884)	**(713,089)**	**(46,350)**	**(46,504)**	**(4,526,827)**
Loan commitments	162,488	-	-	-	162,488

Note 29. Contractual maturity of the financial assets and liabilities (continued)

Financial assets and liabilities by maturity as at 31 December 2023 (Group)	Less than 3 months £'000	3 months to 1 year £'000	1 year to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets					
Cash and balances at central banks	718,805	-	-	-	718,805
Loans and advances to banks	87,763	-	-	-	87,763
Debt securities	64,726	50,975	-	-	115,701
Derivative financial instruments	3,955	10,526	9,377	-	23,858
Loans and advances to customers	126,338	259,826	1,155,876	1,597,942	3,139,982
Other financial assets	2,578	-	-	-	2,578
	1,004,165	**321,327**	**1,165,253**	**1,597,942**	**4,088,687**
Financial liabilities					
Trade creditors	(703)	-	-	-	(703)
Accruals	(7,773)	-	-	-	(7,773)
Derivative financial instruments	(825)	(1,392)	(25,893)	(391)	(28,501)
Deposits from customers	(1,718,305)	(863,995)	(49,845)	-	(2,632,145)
Subordinated liabilities	(450)	(900)	(4,050)	(7,950)	(13,350)
Other financial liabilities	(794)	-	-	-	(794)
Lease liability	(130)	(400)	(424)	-	(954)
	(1,728,980)	**(866,687)**	**(80,212)**	**(8,341)**	**(2,684,220)**
Loan commitments	95,053	-	-	-	95,053

Note 29. Contractual maturity of the financial assets and liabilities (continued)

Financial assets and liabilities by maturity as at 31 December 2023 (Company)	Less than 3 months £'000	3 months to 1 year £'000	1 year to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets					
Cash and balances at central banks	718,805	-	-	-	718,805
Loans and advances to banks	84,406	-	-	-	84,406
Debt securities	64,726	50,975	-	-	115,701
Derivative financial instruments	3,955	10,526	9,377	-	23,858
Loans and advances to customers	85,428	148,887	728,744	1,422,483	2,385,542
Other financial assets	1,991	-	-	-	1,991
	959,311	**210,388**	**738,121**	**1,422,483**	**3,330,303**
Financial liabilities					
Trade creditors	(693)	-	-	-	(693)
Accruals	(7,189)	-	-	-	(7,189)
Derivative financial instruments	(825)	(1,392)	(25,893)	(391)	(28,501)
Deposits from customers	(1,718,305)	(863,995)	(49,845)	-	(2,632,145)
Subordinated liabilities	(450)	(900)	(4,050)	(7,950)	(13,350)
Other financial liabilities	(799)	-	-	-	(799)
Lease liability	(130)	(400)	(424)	-	(954)
	(1,728,391)	**(866,687)**	**(80,212)**	**(8,341)**	**(2,683,631)**
Loan commitments	94,474	-	-	-	94,474

Loan commitments represent the last stage of the loan offer process before drawdown and is deemed to be the stage of commitment from the Group when all the terms and conditions of the offer are met. The offers were assessed for ECL and a provision of £646k has been made as at 31 December 2024 (2023: £991k).

All cashflows above are shown on an undiscounted basis.

Note 30. Related party transactions

Parent entity and ultimate controlling entity
Allica Bank Limited is the parent company of the Group.

Warwick Capital Partners LLP ("Warwick") is the ultimate controlling entity of the Group (see note 35).

Other related parties
Atalaya Capital Management ("Atalaya") and TCV XI AB Holdings ("TCV") participated in a series C funding round issued by the Group, providing them with a significant influence over the Group. As a result, these are considered related parties for the Group.

Transactions with related parties
The Board of Directors of Allica Bank Limited are its key management personnel. Details of directors' emoluments are set out in note 8. Included in Other assets (see note 13) are £98,316 of interest-free staff loans to directors (2023: £98,316), for the acquisition of shares held in the joint share ownership plan (see note 34).

During the year, the Group accrued interest expense of £2,156k on the subordinated loan (see note 19) provided by Warwick European Liquid Credit Fund and Warwick European Opportunities Holding III LP.

During the year, the company participated in a funding round with Atalaya and Warwick to raise capital totalling £35,000k. This transaction relates to AT1 Capital and has been recognised accordingly in 'Other Components of Equity'. During the year, perpetual convertible notes totalling £35,250k were converted to CET1 Capital. These amounts are split as below:

	Warwick	Atalaya	TCV
AT1 Capital issued	9,705	25,295	-
AT1 Capital converted to CET1 Capital	(1,750)	(3,500)	(30,000)

During the year, the company entered into a transaction with Atalaya whereby the company issued £50,000k of fully-funded credit-linked notes. During the year, interest of £5,365k was charged to the Group, and the Group made payments totalling £3,928k in respect of principal and £5,008k in respect of interest on these notes. At 31 December 2024, £46,429k was outstanding in respect of these notes.

Loans to/from related parties

During the period to 31 December 2024, interest of £2,625k was paid to Warwick and its funds (2023: £944k). As at 31 December 2024, there was accrued interest payable of £nil (2023: £469k), in respect of the subordinated loan discussed above.

As at 31 December 2024, Allica Bank Limited had provided funding to its subsidiary Allica Financial Services Limited of £1,214,876k (2023: £735,806k), the terms of which are set out in note 16.

Employee benefit trust
Details of shares held by the Allica Limited Employee Benefit Trust, as part of the Bank's joint share ownership plan (JSOP), are set out in note 34.

Note 31. Interests in subsidiaries

Information relating to subsidiaries related to the consolidated entity are set out below:

		Ownership interest		
Subsidiary	Principal place of business / Country of incorporation	As at 31/12/2024	As at 31/12/2023	Ownership
Allica Financial Services Limited	4th Floor 164 Bishopsgate, London, England, EC2M 4LX	100.00%	100.00%	Direct
Allica India Technology Services Private Limited	Golden Square No 102, Eden Park, Mahatma Gandhi Road, Bangalore, India	100.00%	100.00%	Direct
Tuscan Capital (Holdings) Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Direct
Allica Bridging Finance Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Indirect
Tuscan Capital Commercial Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Indirect
Tuscan Capital (Loans) 1 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Indirect
Tuscan Capital (Loans) 2 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Indirect
Tuscan Capital (Loans) 3 Limited	3rd Floor 12-18 Grosvenor Gardens, London, England, SW1W 0DH	100.00%	0.00%	Indirect

Note 32. Business combinations

Acquisitions in 2024

On 29 August 2024, the Group acquired 100% of the voting shares of Tuscan Capital (Holdings) Limited (TCHL), a non-listed company incorporated in England and Wales and specialising in Bridge financing, in exchange for a combination of cash consideration, as well as a contingent element consisting of further cash consideration and Allica shares.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of TCHL as at the date of acquisition were:

	Note reference	Fair value recognised on acquisition £'000
Assets		
Loans and advances to banks	10	552
Loans and advances to customers	12	71,459
Tangible fixed assets	-	80
Right of use assets	20	-
Other assets	13	1,406
		73,497
Liabilities		
External debt	18	73,800
Provisions		-
Lease liabilities	20	-
Other liabilities	18	708
		74,508
Total identifiable net assets/(liabilities) at fair value		**(1,011)**
Goodwill arising on acquisition	15	8,631
Purchase consideration transferred		**7,620**

The acquisition date fair value of loans and advances to customers amounts to £71,459k. The gross amount of loans and advances to customers is £73,581k and it is expected that the full contractual amounts can be collected.

Goodwill of £8,631k on this transaction comprises the excess of purchase consideration over the net liabilities acquired upon acquisition. Goodwill recognised reflects the expected synergies from combining operations of the acquiree and the acquirer, primarily the acceleration of the acquirer into the bridging market with an established operation. All other intangible assets acquired by the group in this transaction are considered to have an immaterial fair value and therefore have not been recognised separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

Note 32. Business combinations (continued)

From the date of acquisition, TCHL contributed £289k of revenue and £(617)k to profit before tax. If the combination had taken place at the beginning of the year, TCHL would have contributed revenue of £6,977k and £(753)k to profit before tax for the Group.

Purchase consideration	£'000
Cash consideration	6,650
Contingent consideration liability	970
Total consideration	**7,620**
Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	1,021
Net cash acquired with the subsidiary (included in cash flows from investing activities)	552
	1,573
Net cash outflow from acquisition included in investing activities	(6,098)
Net cash outflow from acquisition included in operating activities	(1,021)

Transaction costs of £1,021k were expensed and are included in administrative expenses.

Contingent consideration

TCHL was acquired from its previous owners, comprising management owners and investor owners. As part of the purchase agreement with the previous owner of TCHL, a contingent consideration has been agreed with management owners. There will be additional consideration paid to management owners of:

	Fair value	
	Undiscounted	Discounted
	£'000	£'000
Contingent consideration		
Management earn-out payable	1,490	960

As at the acquisition date, the fair value of the contingent consideration was estimated to be £960k. This consideration is contingent on certain performance targets being achieved in the years ending 31 December 2025, 2026 and 2027, and the fair value at the reporting date is based on forecasts for the Group which have been approved by the board. The contingent consideration is classified as an other financial liability, included in note 18. The impact of unwinding of discount on the contingent consideration is immaterial for 2024 and therefore has not been recorded.

Note 33. Financing activities

Movements in liabilities arising from financing activities

Group & Company	Cash flow item?	Credit-linked notes £'000	Subordinated liabilities £'000	Lease liability £'000
As at 1 January 2023		-	7,500	1,324
Issued in year	Yes	-	-	-
Interest on lease liability	Yes	-	-	36
Lease repayments	Yes	-	-	(473)
As at 31 December 2023		**-**	**7,500**	**887**
Issued during the year	Yes	50,000	30,000	-
Interest charged during the year	No	5,365	2,116	(20)
Payment of principal	Yes	(3,928)	-	(513)
Payment of interest	Yes	(5,008)	(902)	20
As at 31 December 2024		**46,429**	**38,714**	**374**

Note 34. Share-based payments

Allica has a joint share ownership plan ("JSOP") under which selected senior employees and Executive Directors of the Group ("Participants") acquire and hold a beneficial interest in shares of the Bank.

Under the terms of the JSOP, during the year the participating shareholders transferred the legal title of nil (2023: 19,989,998) shares to the Allica Bank Employee Benefit Trust ("EBT") which was established to manage the plan on behalf of the Participants and the participating shareholders (known together as the "JSOP Holders"). The JSOP shares are beneficially owned by the JSOP Holders as tenants in common in undivided shares. During 2024, 1,704,704 shares were allocated to Participants (2023: 19,443,625).

The total number of shares held by the EBT at 31 December 2024 is 41,895,112 of which 41,781,314 have been allocated to Participants (2023: 41,895,112 of which 40,076,610 had been allocated to Participants).

Note 35. Ultimate controlling entity

At 31 December 2024, the Ultimate Controlling Entity of the Group was Warwick Capital Partners LLP, a limited liability partnership registered in England and Wales (No. OC351587). Warwick is authorised and regulated by the FCA, reference number: 518214. Financial Statements are available from 86 Duke of York Square, 3rd Floor, London, SW3 4LY.

Note 36. Events after the reporting period

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

Additional information

Non-IFRS measures

Our Annual Report & Accounts includes certain financial reporting measures which are not defined under IFRS. These measures are consistent with those used by management to assess the Group's performance, and have been outlined below:

Gross revenue[1]	See reconciliation below	**New lending completed**	Calculated as the total amounts advanced to customers in the year for new loans completed, including amounts advanced under forward flows arrangements.
Gross profit after risk	See reconciliation below	**New organic lending completed**	New lending completed. excluding amounts advanced under forward flow arrangements.
Net interest margin (NIM)	Calculated as net interest income as a percentage of gross loans and advances to customers.		

Reconciliation of certain non-IFRS measures

	Year ended 31/12/2024 £'m	Year ended 31/12/2023 £'m
Gross revenue[1]		
Interest income	320.3	177.8
Fair value gains on financial instruments	11.8	6.9
Fee and commission income	3.7	2.8
Interest expense on derivatives in hedge relationships	(43.7)	(13.7)
	292.1	**173.8**
Gross profit after risk		
Total operating income	120.4	86.8
Impairment losses	(10.2)	(14.3)
	110.2	**72.5**

1. The calculation of gross revenue as presented above represents a change in the definition applied in the 2023 Annual Report and Financial statements. The definition applied in the current year presents interest and fair value movements on derivative financial instruments on a net basis. The prior year comparatives have been accordingly updated to reflect the updated definition.

Abbreviations

AI	Artificial intelligence
ALCO	Asset and Liability Committee
AT1	Additional Tier 1
AuditCo	Audit Committee
B4NZ	Bankers for Net Zero
BAC	Board Audit Committee
BBB	British Business Bank
BEV	Battery electric vehicles
BBLS	Bounce Back Loan Scheme
BoE	Bank of England
BRA	Business Rewards Account
BRC	Board Risk Committee
CBILS	Coronavirus Business Interruption Loan Scheme
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRD IV	Capital Requirements Directive IV
CRO	Chief Risk Officer
CAC	Customer acquisition cost
CC	Credit Committee
CSC	Client Selection Committee
DPD	Days past due
D2C	Direct-to-customer
EAD	Exposure at default
EBT	Employee benefit trust
ECL	Expected credit losses
EIR	Effective interest rate
EPC	Energy performance certificate
CCO	Chief Compliance Officer
CLO	Chief Lending Officer
ESG	Environmental, social and governance
EV	Economic Value
ExCo	Executive Committee
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FTE	Full-time equivalent
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FSCS	Financial Services Compensation Scheme
GHG	Greenhouse gases
GGS	Growth Guarantee Scheme
HMRC	His Majesty's Revenue and Customs
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest rate risk in the banking book
IRS	Interest rates swaps
JSOP	Joint share ownership plan
KPI	Key performance indicator
KRI	Key risk indicator
LGD	Loss given default
LTV	Loan to value
MEES	Minimum energy efficiency standard
NED	Non-Executive Director
NIM	Net interest margin
NPS	Net Promoter Scores
NZBA	Net Zero Banking Alliance
NomCo	Nomination Committee
OCI	Other comprehensive income
OpCo	Operations Committee
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PHEV	Plug-in hybrid electric vehicles
PMA	Post model adjustment
POCI	Purchased or originated credit-impaired
PRA	Prudential Regulation Authority
PricingCo	Pricing Committee
ProdCo	Product Committee
RAS	Risk Appetite Statements
RCSA	Risk Controls Self-Assessment
RLS	Recovery Loan Scheme
RMC	Risk Management Committee
RMF	Risk Management Framework
RemCo	Remuneration Committee
RiskCo	Risk Committee
SDDT	Small Domestic Deposit Takers
SECR	Streamlined Energy & Carbon Reporting
SICR	Significant increase in credit risk
SME	Small and medium sized entities
SMF	Senior Management Functions
SONIA	Sterling Overnight Index Average
SRT	Significant risk transfer
T&D	Transportation and distribution
TCFD	Task Force for Climate-related Financial Disclosures
VAT	Value added tax
WTT	Well-to-tank
1LOD	First Line of Defence
2LOD	Second Line of Defence
3LOD	Third Line of Defence