Annual Report & Accounts

31 December 2024

2024

For Businesses. **For Communities. For Good.**

Unity Trust Bank plc

Registered Head Office and Customer Services Centre

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Unity Trust Bank plc (‘Unity’) is a public company limited by shares
Registered in England and Wales
No. 1713124

Financial Services Register No. 204570

President

Paul Nowak

Board of Directors

Alan Hughes, Chairman
Colin Fyfe, Chief Executive Officer
Sandy Chen, Independent Non-Executive Director
Christine Coe, Independent Non-Executive Director
Martin Coward, Chief Risk Officer
Professor Lord John Eatwell, Independent Non-Executive Director
Paul Nowak, Non-Executive Director
Alexander Ryan, Non-Executive Director
Susan Sternglass Noble, Independent Non-Executive Director

Company Secretary

Katherine Eldridge

Executive Management

Colin Fyfe, Chief Executive Officer
Niki Barker, Chief People Officer
Brian Colquhoun, Chief Customer Officer (Interim)
Martin Coward, Chief Risk Officer
Penny Hogan, Chief Financial Officer
Joshua Meek, Chief Impact Officer
Anthony Stewart Parker, Chief Transformation Officer

Auditor

Deloitte LLP
Statutory Auditor
Four Brindleyplace
Birmingham
B1 2HZ
United Kingdom

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Chairman's Statement

Purpose and Performance

History:

- In May 1984, Unity was founded by trade unions and the Co-operative Bank to be a commercial bank that also served the common good. Shares cost £1.00p.
- In December 2015, trade unions bought out the Co-op Bank shares at £1.80p and established Unity as an independent bank. It was marginally profitable.
- By December 2024, the net asset value of each Unity share had multiplied fivefold to £8.95p.

In calendar year 2024:

- Profit after tax grew to £50.5m (2023: £48.9m);
- Deposits grew to £1,717m (2023: £1,559m);
- Lending was flat at £1,014m (2023: £1,014m);
- Post-tax return on shareholders' equity was 25.6% (2023: 33.0%) - the percentage decline being entirely due to the increase in Unity's capital base.

Details of Unity's contribution to the common good are in our 2024 Impact Report.

The large increase in value from £47m to £222m over the 9 years since separation from the Co-op Bank was achieved by: the support of shareholders; sound commercial lending that also served the common good; the offer of personal service; and thrift.

Prospects

Currently, the global economic and geopolitical landscape appears more uncertain than at any other time in our lives. Thankfully, the United Kingdom enjoys the advantages of relative stability and a thoughtful, responsible, steady Government. However, the UK also requires substantial investment for sustainable economic growth, particularly in certain regions.

Unity's demonstrated capacity to provide safe loans and select suitable borrowers presents an opportunity for the company to do more. Unity has consistently demonstrated that creating shareholder value and serving the public interest can be mutually supportive.

Dividend

The Board recommends an increase in the annual dividend in 2024, to 9.00p per share (2023: 7.00p). Unity's dividend policy is to prioritise capital retention to drive business growth when its value is evident, whilst consistently offering reliable annual dividends. The proposed dividend does this and supports Unity's 'safe growth' strategy to reach a more sustainable, resilient, and cost-effective scale.

People

Colin Fyfe joined Unity as Executive Director and Chief Executive in February 2024. Colin brings extensive experience in commercial banking. We are very pleased to welcome him.

In January 2024, Penny Hogan was promoted to Chief Financial Officer, and she will join the board as Executive Director, subject to regulatory approval. Colin and Penny are already making a positive effect on Unity's progress.

Our Executive Director and Chief Risk Officer, Martin Coward, is to retire in 2025. He has been a great asset to Unity, even standing in as CEO early in 2024, and we are all deeply grateful for his contribution. We wish Martin a long and happy retirement.

Lord John Eatwell joined as non-executive director in 2024. He brings his eminent international reputation in economics, his experience of directing regulation, policy and legislation of financial services, and of leadership as President of Queens' College, Cambridge.

Paul Nowak, General Secretary of the TUC, succeeded Lady Frances O'Grady as shareholder-nominated non-executive director. Paul has also accepted the role of President of Unity.

We are delighted to welcome John and Paul.

Chair Succession

I have now exceeded the term of appointment that governance codes prefer so I shall not stand for re-election at the AGM in May.

It has been a tremendous pleasure to witness Unity's remarkable success over the past decade, benefiting both shareholders and the communities it supports. Unity's shareholders can rightly be proud of what they've enabled. Unity has proved creating shareholder value and serving the common good can go hand in hand.

The Directors have chosen Christine Coe, our Senior Independent Director, to succeed me, subject to shareholders and regulators' agreement. I am delighted for Chris. She is a strong supporter of Unity's values and a highly experienced banker.

Thank you

The Board and I would like to thank our shareholders for their support, and our people for their commitment and hard work. 2024 was Unity's best to date.

I shall watch what I fully expect to be Unity's continued pace of growth and increase in value for shareholders and for society with very great pleasure.

Alan Hughes
Chairman
5 March 2025

Highlights

24.1%
CET 1 ratio
2023: 19.7%

£1,013.8m
loans to customers
(2023: £1,013.6m)

£65.8m
profit before tax
2023: £63.9m

Earnings Per Share
£2.03
2023: £1.97

88%
Customer satisfaction score[1]
2023: 92%

King's Award
for Enterprise in Sustainable Development[2]

Named in The Sunday Times Best Places to Work 2024

Maintained gold status Investors in People accreditation
2023: Gold

50.5%
lending to areas of high deprivation
2023: 45.3%

Five year financial performance summary

	2020 £'000	2021 £'000	2022 £'000	2023 £'000	2024 £'000
Profit before taxation	7,546	11,053	27,352	63,862	**65,751**
Profit after taxation	7,027	9,671	22,843	48,858	**50,476**
Total loans to customers	601,810	723,523	836,576	1,013,646	**1,013,816**
Shareholders' funds	90,669	108,963	123,815	172,617	**222,117**

	2020	2021	2022	2023	2024
Net interest margin	1.47%	1.42%	2.68%	5.25%	**5.38%**
Cost income ratio	57.5%	54.2%	36.8%	27.1%	**32.6%**
Return on equity	8.0%	9.7%	19.6%	33.0%	**25.6%**
Dividend per ordinary share[3]	3.30p	3.85p	5.50p	7.00p	**9.00p**

[1]Based on the unweighted average of responses from 1,220 customers to the question, 'After reflecting on the service from Unity Trust, how satisfied are you with your overall experience with Unity Trust Bank' 88% of respondents indicated they were either 'Satisfied' or 'Extremely Satisfied.'

[2]Unity Trust Bank received the King's Award for Enterprise in Sustainable Development in 2024.

[3]Dividend per ordinary share is quoted with respect to the financial year to which it relates, not the year of payment. The dividend in respect of the 2024 financial year is recommended for approval at the 2025 AGM.

Alternative Performance Measures (APM's) are described in the glossary.

Chief Executive's Review

I am pleased to present my first Chief Executive's Review. When I joined Unity in January 2024 I listened to colleagues, customers and shareholders to understand their views on the Bank and what was needed to take it forward.

Introduction

I learned, from these conversations that there is a unique alignment of purpose across the Bank from shareholders and the Board, through to our Executive and our members of staff. This is a special opportunity to increase the impact we deliver to the community, and I will ensure we do not waste it.

The purpose of "doing good" or, as we tend to say today, "delivering positive social impact" is easy to say but needs to be ingrained in the culture and the spirit of the company. I am delighted to say that this is exactly what I have found at Unity. The business model is something that I intend to continue to evolve, and I am proud to lead the development of the Bank into an even better, stronger organisation.

Unity strengthened its performance in the year, increasing financial returns alongside advancing our impact proposition and building capability for our growth ambition. Deposit acquisition channels have been diversified to include aggregator funding and the setup of specialists' teams, with record levels of funding received. We remain committed to strengthening our infrastructure to better support customer needs, with an 81.8% increase in investing for growth year on year. Enhancing customer service and establishing a more balanced growth strategy was a key priority in 2024 following a period of sustained high levels of lending growth. We have achieved this balance and have established the foundations necessary to support our exciting five-year plan.

I was delighted to spend time with customers during the year, whether it be answering calls within the contact centre or meeting them at their businesses. We intentionally provide both a human and digital service for our customers. They have important needs and deserve a Bank that looks at service from the customers perspective.

The Bank's Impact Report, published on its website, provides information on how Unity has delivered on its purpose of being a Bank with a social conscience. One of the most satisfying elements of my role has been visiting organisations who, with Unity's support, are making a huge difference in their local communities.

Customers

Unity fully embraced the FCA's consumer duty in 2024 to reinforce the customer driven culture of the Bank. Using our expertise in customer service and our customer interfaces, we continue to listen to our customers to understand the service they need.

We created dedicated sector services teams and developed technology that ensures that calls go straight through to these teams. We created a customer council to strengthen their experience and will continue to tailor our service more and more to improve customer experiences.

Our liability products have been enhanced over the year and a key success of the year has been our ability to self-generate funding to support our growth ambitions. Organisations know that placing their deposits with Unity will provide them with a competitive return as well as allowing their money to do good things in local communities who need support. In 2024, the Bank raised over £150m of self-generated funding to support its growth ambition.

Financial performance

Profit before tax for the year increased to £65.8m (2023: £63.9m). The compound annual growth rate of our lending portfolio since independence in 2015 was 20.6%, with lending remaining above £1bn. Deposits from customers increased by 10%. The Net Asset Value per share rose to £8.95 at the end of the year (2023: £6.96). The primary drivers of the 2024 performance were:

Income

Net interest income increased by 11% to £99.3m (2023: £89.2m) reflecting the higher Bank Rate environment. Unity's Net Interest Margin increased from 5.25% to 5.38% over the year. Loans and advances to customers at the end of the year were £1,013.8m (2023: £1,013.6m), with £144.0m drawn down in the year (2023: £255.1m). The lending pipeline at year end increased by 32% to £132.7m (2023: £100.2m).

Unity's treasury assets comprised investment securities and deposits placed with the Bank of England. The increased average Bank Rates improved income returned on the assets whilst remaining within risk appetite. Interest on treasury assets increased to £42.1m (2023: £33.6m).

Net fee and commission income for the year decreased to £2.8m (2023: £3.2m), mainly due to an increase in transaction costs. Transaction costs are deducted from fee income to get the net amount.

Operating expenses

Investment in operational resilience, digital banking, infrastructure and our workforce increased operating expenses by 33% to £33.3m (2023: £25.0m).

Investment spend included within operating expenses increased from £2.2m in 2023 to £4.0m in 2024 as the Bank continues to build a platform for growth. The cost income ratio increased to 32.6% (2023: 27.1%) reflecting the investment made in the business.

Impairment

Lending quality and sound credit risk management practices remain a high priority. An impairment charge of £1.0m was raised in the year (2023: £3.5m). The level of provision reflects stability in both the loan book and the UK macro-economy. Three write offs for £861k were recorded in the year (2023: three write offs for £102k).

The balance sheet provision for loan impairment at 31 December 2024 was £9.7m (2023: £9.7m) a provision coverage ratio of 0.90% (2023: 0.91%). 93% of lending customers are classified within Stage 1 for IFRS 9 (2023: 93%).

Treasury instruments at fair value

A £1.9m loss was realised in 2024 (2023: £nil) as a result of strategic treasury repositioning activity. Lower yielding assets were replaced with higher yielding assets.

Social Impact and Sustainability

Unity delivered multiple initiatives to drive our double bottom line and deliver social, economic and environmental benefits to society.

50.5% of our lending supported organisations based in or delivering services in areas of high deprivation (2023: 45.3%). Unity committed £137m in new lending (2023: £260m), 33% of this was classified as 'C – Contribute to Solutions,' the highest Impact classification by Impact Frontiers ABCs.

Through the Residential Transition Initiative, Unity supported Housing Associations to provide decarbonisation and energy efficiency measures to over 900 tenants. We set a £50m deployment target to support social housing decarbonisation. This initiative aligns to Unity's Net Zero by 2045 target shared in our Impact Report 2024.

As part of our 40th anniversary, Unity set a target to deploy over £40,000 of grants and donations to values-aligned organisations delivering impact. We launched an inaugural 'Unity Impact Grants' and deployed £56,287 to 42 organisations across the UK, including over £8,600 of voluntary contributions from Unity staff. Our employee-led forum, 'Unity and Me' goes from strength to strength delivering initiatives for colleagues and community. Unity and Me members contributed to external research studies on socio-economic inclusion in social investment and provided over 283 days (2023: 290) volunteering to organisations across the UK.

In 2024, we expanded our carbon emissions reporting to include all category 15 Scope 3 investment emissions. Detailed data is on page 18, with historical performance in the Impact Report published on our website.

Strengthening the business

The Executive Committee has been expanded to meet the growing needs of Unity. We recruited the first Chief People Officer for the Bank, with a focus on modernising our people strategy and growing our people through the creation of a learning and development team. The Bank's first Chief Impact Officer was recruited, highlighting the focus the Bank is putting on commitment to impact.

Unity maintained its Gold status for the Investors In People accreditation. Additionally, I was thrilled that Unity achieved an "outstanding" rating in the Best Companies survey conducted at the end of the year, demonstrating that our colleagues are engaged and feel valued.

Unity is committed to strengthening operational resilience and continues to invest in people and technology infrastructure. In 2024, investment spend increased by 81.8% (2023: 57.1%), focusing on delivering an enhanced digital service for our customers and building a more resilient and efficient Bank.

Functions were created that provide a solid framework for safe, balanced growth, this included investment in operational resilience, treasury and information security functions.

Headcount was expanded by 11% from 207 to 230 (year-end full time equivalent). We retained our policy of paying suppliers within 30 days.

Capital position

At the end of 2024, the Common Equity Tier 1 ('CET1') ratio showed a substantial surplus to regulatory requirements at 24.1%, up 4.4% from 2023 (2023: 19.7%), driven by £50m of capital accretion through the strong business performance. Risk-Weighted Assets ('RWAs') increased to £926.0m during the year (2023: £878.4m). The Bank's Defined Benefit pension scheme was in surplus by £1.1m (2023: £2.3m). This surplus, net of deferred tax, is excluded from RWAs and capital resources when calculating regulatory capital.

During the year, rules for the Basel 3.1 regime and the Bank of England's proposals for Small Domestic Deposit Takers were published and are set to take effect on January 1, 2027. The impact of these changes is being assessed and considered through appropriate internal governance forums, but no material impact on Unity's capital position is expected.

Liquidity position

Unity has a stable funding profile consisting entirely of deposits from 10,591 customers (2023: 9,812) across a variety of sectors, alongside equity. Customer deposits increased to £1,717m (2023: £1,559m), with the loan to deposit ratio decreasing to 59% (2023: 65%) during the year.

The Bank's Net Stable Funding Ratio ('NSFR'), a measure of the stability of the funding base, increased to 154% (2023: 132%). The Liquidity Coverage Ratio ('LCR'), a measure of the Bank's ability to meet short term liquidity obligations, had an average of 228% in the 12 months of 2024 (2023: 220%). The average high-quality liquid assets held was £844.2m (2023: £748.1m).

Strategic Plan priorities

Unity has a strong purpose, that is as clear today as it was over 40 years ago when the Bank was founded. A purpose, which I believe, is more relevant today than it ever has been and one that is resonating with businesses, charities, organisations and communities across the country.

Looking forward, we plan to safely grow the Bank. This is not for personal satisfaction or egotistical reasons but to advance our purpose; to make sure that our impact is felt and experienced by organisations who will make their own impact with our support. We call it "the double bottom line", balancing the achievement of sustainable returns for the Bank and shareholders alongside the delivery of social benefit across our communities.

The Bank's five-year Strategic Plan approved in 2024 set out the following priorities for the future:

- Customer driven in everything we do. Intentionally human and digital.
- Positively impact society, the environment and the economy.
- Deliver safe balanced growth.
- Deliver sustainable returns to support growth and dividends.
- Be the best place for our people to work, and
- Build scalable, resilient operations for the future.

Unity is a special organisation, and I would like to thank our shareholders, Board and staff for their support. I am deeply grateful to Alan Hughes, who retires as chair of the Board in 2025. His wisdom and unwavering commitment to the advancement of Unity's purpose leaves an enduring legacy and we wish him well.

Colin Fyfe
Chief Executive Officer
Unity Trust Bank plc
5 March 2025

50.5%
of our lending supported areas of high deprivation
(2023: 45%)

82%
increase in investment spend
(2023: 57%)

£65.8m
Profit before tax
(2023: £63.9m)

£99.3m
net interest income
(2023: £89.2m)

£8.95
Net asset value per share
(2023: £6.96)

About Unity Trust Bank

Our proud history

Unity Trust Bank was launched on May 1, 1984 by the Trade Unions and the Co-operative Bank. It was born out of a vision to create a bank that would embrace the philosophy of serving the common good. Now a thriving commercial bank, Unity continues to embody its founding principles:

- Unity's first mission was to provide prudent, profitable commercial lending in the UK and to support jobs, industries and the British economy.
- The first few years were spent developing banking facilities for our Trade Union shareholders and providing additional services specifically to benefit their members.
- During the 1990s we tailored our products and services to meet the needs of socially-minded organisations.
- In 2012 we committed to a 'double-bottom line' strategy to continue delivering positive social impact alongside sustainable financial returns.
- In December 2015, Unity became independent after the Co-operative Bank was bought out.

Unity's Impact Reports and Annual Reports evidence our progress and the way we support our customers, shareholders and society as a whole.

Why we are unique

Unity believes in delivering impact, not simply maximising profits.

We provide banking services to business customers and only lend to creditworthy organisations that deliver social value. Every lending proposal that comes to us is aligned with one or more of the United Nations' Sustainable Development Goals (SDGs) to ensure that our funding has quantifiable impact.

Our mission

Our mission is to provide customer driven ethical and sustainable banking services to commercial organisations.

Our ambition

To be the Bank of Choice that empowers organisations to deliver positive impact and achieve commercial success.

Our purpose

The purpose of Unity:

- To be the bank with a social conscience.
- To provide banking services to viable organisations, sole traders or individuals that contribute community, economic, social or environmental benefit to society, including, but not limited to, Trade Unions, co-operatives, charitable and commercial enterprises, and
- To achieve sustainable returns for itself and its members as well as a social benefit. This is described as a "double bottom line" approach to all business the Company does.

Our strategy

Unity's strategy is to be:

- Customer driven in everything we do. Intentionally human and digital.
- Positively impact society, the environment and the economy.
- Deliver safe balanced growth.
- Deliver sustainable returns to support growth and dividends.
- Be the best place for our people to work, and
- Build scalable, resilient operations for the future.

Unity's Impact Reports and Annual Reports evidence our progress and the way we support our customers, shareholders and society as a whole.

Our values

Our values ensure we act in a way that helps to create a better society. They enable us to be at our best for our customers, stakeholders and society as a whole.

Bold

Collaborative

Inclusive

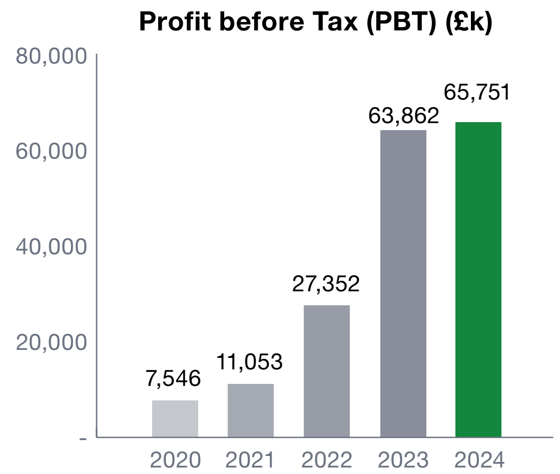
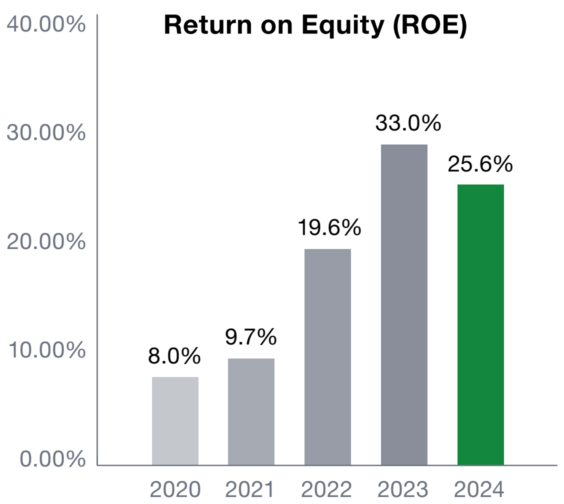
Integrity

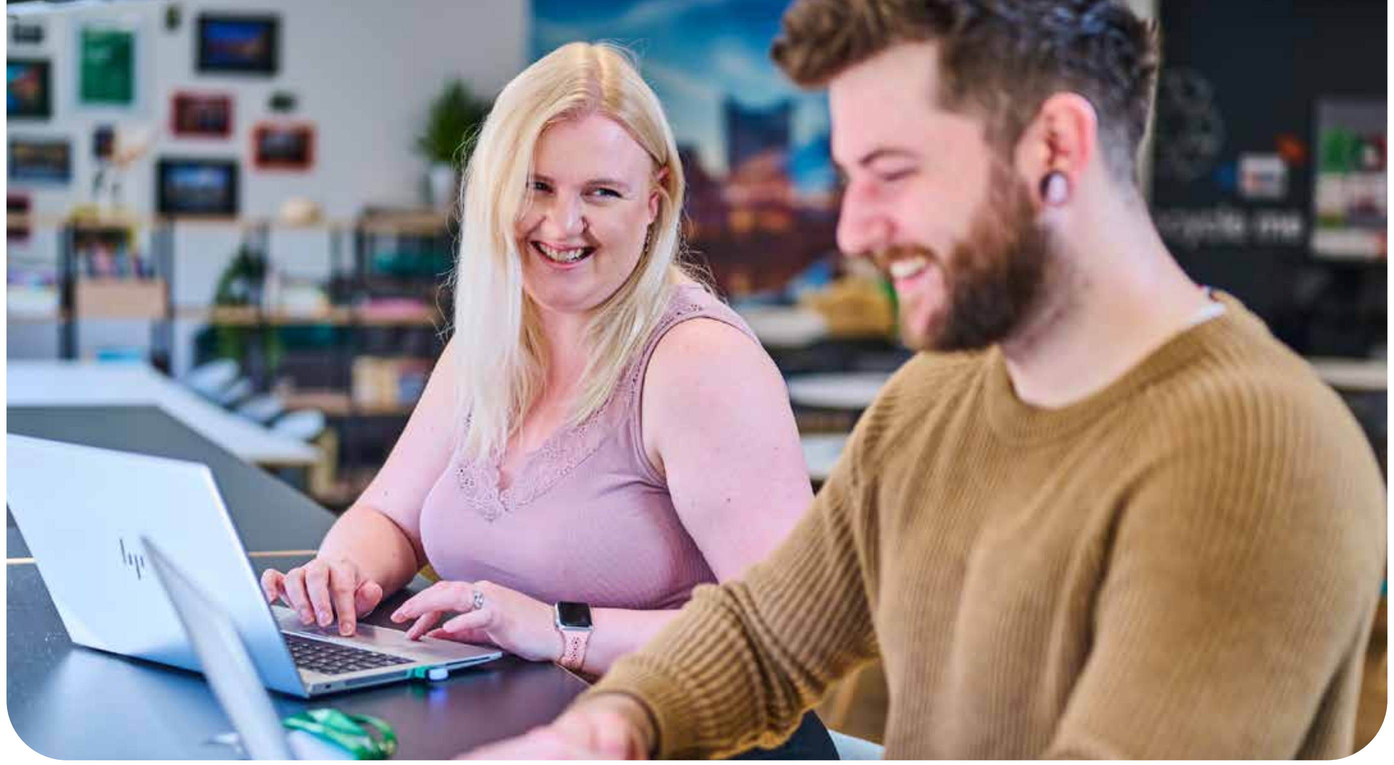
Straightforward

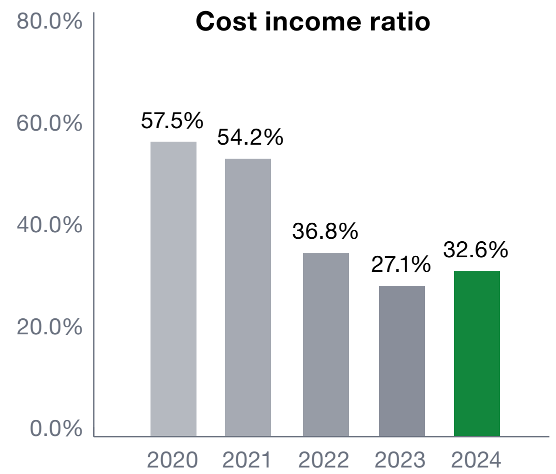
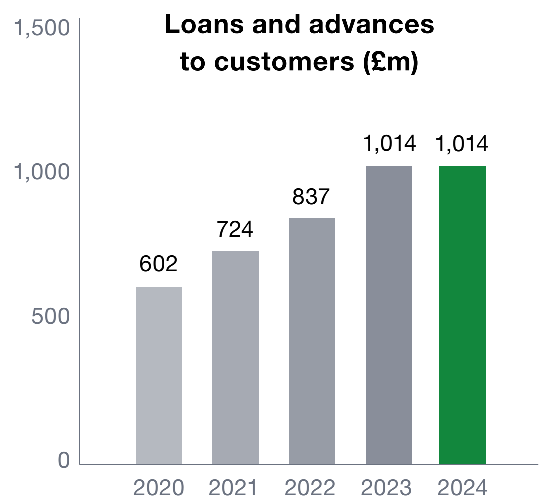
Key Performance Indicators

The following Key Performance Indicators (‘KPIs’) compare the 2024 full year results against full year 2023, 2022, 2021 and 2020 audited results.

This report includes a number of APMs[1] which provide useful additional information about Unity.

Key Performance Indicator	Performance
Profit before tax, as reported in the Income Statement for 2024. Profit contributes to capital which provides financial resilience and facilitates investment in the future.	
Return on Equity (‘RoE’) indicates the ratio of profit after tax divided by average shareholder equity. It demonstrates how efficiently equity is utilised to generate profits for our shareholders. The reduction in 2024 is principally due to the increase in Unity’s capital base.	



Key Performance Indicator	Performance
Cost income ratio shows the operational expenses (including exceptional items) as a proportion of ‘Total income’ as shown on the Income Statement. The cost income ratio shows Unity’s operational efficiency to generate income. A lower ratio indicates higher efficiency.	
Loans and advances to customers are shown net of any loan loss provisions. Loans and advances drive Unity’s impact, performance and value.	

[1]Further information on APMs is available in the glossary on page 120-121.

Corporate Responsibility

Directors' regard to stakeholder interests - Section 172 statement

The Directors have a duty to act in good faith to promote the success of the company for the benefit of its shareholders and in pursuit of its purpose whilst having regard to factors (a) to (f) in section 172 of the Companies Act 2006.

The Board engages with stakeholders to understand the impact of the Bank's operations and hear diverse views. It supports business relationships with customers, suppliers, and other stakeholders. Engagement occurs directly, indirectly, and through business reports, ensuring the Board is informed on key issues and Directors comply with legal duties.

The information below describes how Directors have considered these requirements when performing their duties.

Strategy and Resilience

Throughout 2024 the Board was focused on the development of a five-year strategy, which runs from 2025 – 2029 and is built on a high-performance culture that delivers on the double bottom line through safe balanced growth.

Strategy

The strategy was designed in close consultation with the Board, as well as with colleagues from all levels across the Bank. It outlines that the Bank is customer driven in all it does and is focused on delivering sustainable returns whilst positively impacting society. The Board regularly considered how the strategy impacts on different stakeholder groups, including customers, shareholders, and colleagues.

Safe, balanced growth

Considerable work was undertaken throughout 2024 on developing and strengthening Unity's approach to safe, balanced funding. Part of this involved growing customer deposits to support lending and the impact that lending could deliver either economically, environmentally, or socially.

Operational Resilience

The Board regularly discussed Unity's operational resilience projects, focused on strengthening key infrastructure as well as reviewing important business services and impact tolerances. This is in order that the Bank's customers are protected from the impact of possible unforeseen disruption.

Customers

During the year, the Board remained acutely aware of the ongoing external pressures impacting our customers.

Customer Centric

The Board values the support of our customers putting them at the heart of its decision making. This year that approach has included oversight of upgrades to Unity's telephony system to ensure that customers can reach the right person quickly.

Consumer Duty

The Board continued to oversee the delivery of Unity's Consumer Duty project, to embed the principle of acting to deliver good outcomes for customers which would become integral to Unity's customer centric approach

Digital

Following the delivery of an enhanced digital banking platform the previous year, the Board continued to consider further improvements to ensure that banking with Unity is as easy as possible.

Shareholders

The Bank welcomes any questions that may arise throughout the year from its shareholders.

Annual General Meeting

All shareholders are encouraged to attend Unity's AGM. In 2024, the Bank hosted this as a hybrid event, in order to provide several ways for shareholders to engage and share their views with Directors and senior management.

Engagement

We also provide quarterly updates to keep shareholders informed. As part of the CEO's first year at Unity, both he and the Chair met with shareholders to continue to build and strengthen relationships.

Employees

The Bank acknowledged the valued contribution of its employees.

Culture and values

The unique culture and values of Unity remained a key topic of discussion for the Board, with a focus on ensuring that staff recruited as part of a planned growth in headcount in 2023 continued to be well embedded into the organisation.

Executive Team

The Board oversaw several key changes to the Executive Team following changes to the Chief Executive Officer and Chief Financial Officer at the end of 2023. This included expanding the team to include a dedicated Chief People Officer, Chief Impact Officer and Chief Transformation Officer, which would further enhance the skills of the senior team.

Learning and development

The Board also considered Unity's current learning and development offering for staff, agreeing there should be further investment in this area.

Regulators

The Board recognises the importance of building positive relationships and having continuous engagement with its regulators. Members of the Board and Executive Team met with representatives from both the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') throughout the year. The Board also worked to ensure that the regulators were kept informed of planned succession for the Board.

Delivering positive impact and supporting customers

Unity has delivered multiple initiatives to strengthen our double bottom line in 2024. As we set our strategy to be the ethical bank of choice for organisations across the UK, Unity was proud to have received the King's Award for Sustainable Development in recognition of the positive social, economic and environmental outcomes of our work.

As detailed in the Impact Report 2024, every loan undergoes a social and environmental impact assessment to evaluate its societal benefits. This assessment aligns with established impact management standards, including the United Nations Sustainable Development Goals ('SDGs'), the Impact Frontiers 'ABCs of Enterprise Impact', and lending flows to high-deprivation[1] areas:

- 50.5% (2023: 45.3%) of lending supported organisations in high-deprivation areas, with 33% (2023: 23%) graded 'C – Contribute to Solutions', driven by retrofit finance for housing associations providing decarbonization solutions and benefits to social tenants.
- SDG 3 – Good Health and Wellbeing remained our largest outcome area, with over 55% of loans in 2024 supporting health-related outcomes in sectors like care homes, pharmacies, dental, specialist care providers, and charities for vulnerable people.
- As part of our commitment to achieve Net Zero by 2045, Unity assessed the carbon footprint of its lending. This builds on our category 15 treasury assets disclosure in 2023. Our 714 borrowers accounted for 20.78 thousand tonnes of greenhouse gas ('GHG') emissions in 2024. In 2025, Unity will complete a Transition Plan aligned to its 2045 Net Zero target.

A key focus in 2024 included delivering on our Customer First strategy. This supported Unity to develop its Local Councils and Charity specialist service desks providing sector expertise and financial inclusion to customers. Our Impact Report, also published today on our website, provides more information on how we have enabled positive social impact and our employee initiatives in 2024.

Our response to climate change

In 2024, Unity set a target to be Net Zero by 2045 and for our 'own emissions' to achieve Net Zero by 2035. Both targets are set with Unity's Customer First strategy and mission embedded at the heart of our transition plan. Unity aims to support an inclusive and just transition to Net Zero. We collaborate with customers who positively impact their communities, helping them transition to a low carbon environment while maintaining essential services.

Net Zero for our 'own emissions' is defined as a 95% reduction in GHG emissions per Full Time Equivalent ('FTE') from our 2023 baseline for Scope 1 and 2 and business travel emissions. Our Net Zero by 2045 target is primarily driven by transitioning 95% of our loan book to meet 'Net Zero aligned' lending standards by 2045. In both instances, the residual emissions will be offset through investment in carbon negative assets delivering social impact aligned to Unity's mission.

In 2024, Unity's Executive Committee and Board of Directors received training focused on understanding transition and physical risks of climate change to Unity, our customers, and society.

We have reported on all of the emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – commonly referred to as Streamlined Energy and Carbon Reporting ('SECR').

Our GHG emissions for 2024 were independently calculated by Carbon Footprint Ltd. The Bank's energy and GHG emissions data comply with SECR requirements and are calculated according to the GHG Protocol and SECR guidelines. The table below shows the performance summary of regulated SECR energy and GHG emission sources:

	2024	2024	2023
SECR-related Energy (kWh)	***283,524***		388,182
Emissions (MTCO2e):	**Location Based**	**Market Based**	Location Based[2]
Scope 1: Natural gas	**22.56**	**22.56**	48.83
Scope 2: Electricity	**17.53**	**1.40**	22.53
Scope 3: Grey fleet and cash opt-out	**26.69**	**26.69**	7.00
Total SECR emissions	**66.78**	**50.65**	78.36
Additional Scope 3			
Well to tank	**7.61**	**3.88**	13.06
Electricity transmission & distribution	**1.89**	**0.07**	2.38
Home-working	**47.71**	**45.67**	33.61
Hotel stays	**3.08**	**3.08**	12.50
Rail travel	**17.66**	**17.66**	15
Flights	**6.34**	**6.34**	5.82
Commuting	**58.92**	**58.92**	
Total own operations plus business travel	**209.99**	**186.27**	160.73
Purchased offsets (see details below)			(162)
Emission intensity ratio pre-offset			
FTE	**230**		173
Emissions intensity (tCO2 e / FTE)	**0.91**		0.93
PCAF Scope 3 Category 15 – corporate bonds Financed Emissions (Data Quality Score 5)	**1,064**	**1,064**	952
PCAF Scope 3 Category 15 – social lending Financed Emissions (Data Quality Score 3.4)	**20,782**	**20,782**	
Net carbon outturn	**22,056**	**22,032**	952

[1]High deprivation as defined by English Indices of Deprivation

[2]2023 location-based emissions used as comparator for more accurate comparison of intensity

The introduction of our lending carbon footprint within the Scope 3 category 15 emissions disclosure increased our net carbon outturn. In 2024, we conducted our first survey on commuting, homeworking, and business travel to understand our team's greenhouse gas emissions and engaged with the estates team at Brindley Place to support energy efficiency measures.

Our Scope 3 business travel and homeworking emissions are based on Q1 2024 survey results and extrapolated to reflect our annual FTE.

The table below provides a summary of our approach to measuring emissions in the different categories:

Category	Description and calculation methods
Scope 1	Direct GHG emissions that originate from assets that Unity owns or controls. This includes heating boilers in two sites where Unity is a lessee. Unity's contributions are calculated based on office space percentage of total building usage for one site. The second site (main site) is calculated as an equivalent change in gas usage due to data limitations. The calculation uses UK government conversion factors.[3]
Scope 2	Indirect GHG emissions from the generation of purchased electricity. Under the GHG Protocol, the Bank is required to report Scope 2 emissions of both market and location-based approaches. Market based approach – reflects emissions from electricity that the Bank or our office site managers have purposefully chosen, e.g. renewable energy. Location based approach – reflects the average emissions intensity on the grids upon which energy consumption occurs. Unity's emissions for two sites are calculated based on percentage of total building KwH usage. Our third (and main site) is based on meter readings and use the UK government's conversion factors.
Scope 3	All other indirect emissions that occur across the Bank's value chain. For 2024, the Bank's Scope 3 emissions include business travel required under SECR guidelines, hotel stays, homeworking and financed emissions from a portion of treasury assets; namely regulatory required bond holdings. All business travel is calculated based on Carbon Footprint Ltd's calculation factoring cost of travel using DEFRA emissions calculations. Home working is estimated based on single occupancy and a 60% homeworking rate. Our Scope 3 Category 15 customer loans are calculated using the PCAF unlisted equities and bonds methodology. Our weighted data quality score is 3.4. Corporate bond holdings are calculated using PCAF methodology 3b[4] data quality score 5. Therefore, this represents a significant increase in the reporting exposure from Unity aligned with our membership of PCAF.

[3] Greenhouse gas reporting: conversion factors 2024 - GOV.UK

Energy and GHG emissions are reported from buildings and transport where operational control is held and includes electricity, natural gas and business travel in grey fleet (private cars used for Bank business).

All Scope 1 and 2 emissions are reported from measured consumption data. Scope 3 emissions include conservative (i.e. high emissions calculations) where direct measurement data is not complete. Grey fleet and cash-opt out emissions are based on mileage, calculated against vehicle type. Additional to emissions in scope for SECR reporting (Scope, 1, Scope 2 and Scope 3 cash opt-out / grey fleet, rail travel, flights and taxis) Unity reports hotel stays and homeworking, using GHG Protocol recommended methodologies.

Unity does not fund industries that have a significant measured negative impact towards climate change, such as coal-fired power stations, mining industries or organisations that burn toxic waste. Unity reviewed and updated our exclusions policy for lending in 2023 and assesses all lending to ensure that there is no intentional or high risk of unintentional negative impact to society and the environment.

Unity continues to monitor our sectoral engagement and reviews the environmental policies and engagement of all potential lending. Each of our Sector Credit Policies incorporate detail on the potential risks and opportunities from social, environmental and climate change factors. Stress tests, using scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS') have been included within our Internal Capital Adequacy Assessment Process ('ICAAP') to inform the capital held for climate change risks.

Our Supplier and Procurement Procedures include social and environmental criteria covering both selection of new suppliers and ongoing management of existing partners.

Approved by the Board of Directors and signed on behalf of the Board by:

Colin Fyfe
Chief Executive Officer
Unity Trust Bank plc
5 March 2025

[4] The Global GHG Accounting and Reporting Standard for the Financial Industry (carbonaccountingfinancials.com)

Directors' Biographies

Alan Hughes

Independent Non-Executive Chair

Appointed to the Board in 2015.

Skills brought to the Board: Retail & commercial banking & finance; successful innovation; fintech; marketing; non-executive and chair experience. He believes in innovation for the public good.

Alan chairs the Board and the Nomination Committee and is a member of the Remuneration Committee.

Alan spent 35 years at HSBC rising to its UK/EU executive Board as General Manager with responsibility for all products, service, pricing, and marketing. He was Chief Executive of First Direct Bank, ran significant subsidiaries of HSBC and was a main Board director of its commercial asset finance group. He was responsible for commercial invoice finance throughout HSBC Group.

Alan has taught banking and was a visiting lecturer at Warwick University (voted MBA teacher of the year four times) and at Oxford University Saïd Business School. He has served as Deputy Chair of Council and Pro-Chancellor at Loughborough University, member of HM Government Cabinet Office Delivery Council and a Director of the UK Passport Agency as well as at other banking and financial companies.

Alan serves as Chairman of Equals Group plc (AIM listed) and Mitsubishi HC Capital UK plc.

He is a Fellow of the Chartered Institute of Bankers and the Royal Society for Arts, Manufactures and Commerce (RSA) and holds an MBA from Henley Management College and an honorary doctorate from Loughborough University.

Colin Fyfe

Chief Executive Officer

Appointed to the Board: January 2024

Skills brought to the Board: Strategic leadership and delivery in financial services, change management, sales and marketing, governance, stakeholder engagement and risk management.

Colin has led financial services firms for 11 years through his roles as Chief Executive Officer at Hinckley & Rugby Building Society and Darlington Building Society. This followed a 29 year banking career with the National Australia Bank Group, with the majority of this time spent at Clydesdale and Yorkshire Bank.

His experience covered corporate, commercial, private, and retail banking and leadership positions spanning marketing, people, sales, and risk teams across these sectors.

Colin holds a Non-Executive Director position with Ahead Partnership, a purpose-driven business which supports young people to improve their careers outcomes. Colin is also a member of the Greater Birmingham Chambers of Commerce Council who are helping to shape the region's business landscape.

Colin is a Fellow of the Institute of Bankers in Scotland.

Sandy Chen

Independent Non-Executive Director

Appointed to the Board in 2015.

Skills brought to the Board: Leading financial analyst, deep knowledge of bank accounting, reporting and regulation, macro-economics and the economic environment, regulatory & central bank policy, UK banking innovation.

Sandy chairs the Board Audit Committee and is a member of the Nomination Committee and the Board Risk Committee.

Sandy has over 20 years of experience in the financial services industry, as analyst and executive.

He has published a book titled 'Integrated Bank Analysis and Valuation: A Practical Guide to the ROIC Methodology' (Palgrave, 2013), and has advised the UK government on banking issues.

Sandy is the Chief Executive Officer and Co-Founder of Graphene Composites Ltd.

Sandy holds a BA 'magna cum laude et cum honoribus' in International Relations and a BA in Economics from Brown University (US) and was awarded Phi Beta Kappa academic honours; he also attended Phillips Academy Andover (US).

Christine Coe

Independent Non-Executive Director

Appointed to the Board in 2023.

Skills brought to the Board: Commercial banking, credit and Enterprise Risk Management, banking regulation, SME lending, financial crime, and anti-fraud experience.

Chris is a Senior Independent Non-Executive Director as well as Chair of the Board Risk Committee and a member of the Nomination Committee and Board Audit Committee.

Chris has over 40 years' global credit and risk experience which she gained through a variety of roles at HSBC. Since leaving HSBC she provided advisory and expert witness support to the HSBC legal team on regulatory matters arising from the 2008 financial crisis. Prior to this she served as HSBC's Managing Director and Global Head of Funds' Due Diligence and Control, their Global Head of Funds Risk, and was Chief Risk Officer at HSBC Securities Services.

Chris serves on the Board of Atom Bank plc, a retail digital mortgage and savings bank. She is the owner and Practice Director of The George Road Clinic, a multi-disciplinary Private Medical Practice providing a range of out-patient services. Chris is also a Director and Charity Trustee of the British Pig Association and UK Tag, a non-profit concerned with the development of livestock exports.

Chris has a BA, Politics and Economics and a Finance Houses Association Diploma.

Martin Coward

Chief Risk Officer

Appointed to the Board in 2023.

Skills brought to the Board: Cross sector business leadership; credit, operational and financial risk management; commercial relationship management and stakeholder engagement.

Martin has over 30 years' experience in practical banking, many of which were spent at HSBC. His last role in HSBC within the UK Risk Leadership Team involved responsibility for the UK Business Banking Credit, delivered through specialist teams in India and UK.

Prior to this, Martin led HSBC's UK Corporate Recovery Unit, overseeing debt/equity transfers and business turnaround teams through the consequences of the financial crisis from 2010 onwards.

During his HSBC career, Martin has held a number of senior commercial and corporate leadership roles and kept close to banking relationships with customers.

Martin has a BSc in Agriculture and, from his career before banking, maintains an active interest in the agricultural industry.

Professor Lord John Eatwell

Independent Non-Executive Director

Appointed to the Board: 2024.

Skills brought to the Board: Leading economist, financial policy and regulation, banking and finance.

John taught economics at Cambridge where he was Professor of Financial Policy. He was President of Queens' College 1997-2020.

John's earliest interests were in economic theory. However, from the early 1980s onwards his work included policy issues related to employment, growth and finance. From 1985 to 1992 he was an economic adviser to Neil Kinnock, then Leader of the Labour Party.

In 1992 he entered the House of Lords and has served several terms as Principal Opposition Spokesman on Treasury and Economic Affairs.

He has also been a financial services regulator in London and was chair of the Jersey Financial Services Commission (2010-2020). He was a member of the Board of the Royal Opera House (1998-2006) and Chair of the British Library (2001-2006).

Paul Nowak

Non-Executive Director

Appointed to the Board: March 2025

Skills brought to the Board: Knowledge of Trade Unions, leadership and stakeholder engagement

Paul Nowak is General Secretary of the TUC, which represents 48 Trade Unions and 5.3 million working people. He has been a trade union activist and official for 35 years, first joining a union at the age of 17 while working part-time at Asda.

Paul joined the TUC in 2000 and held a number of regional and national roles before being elected as General Secretary, a post he took up in December 2022.

In his previous roles at the TUC, Paul led the TUC's work on issues including public services, union organisation and recruitment and transport. He played a key role in shaping the government's safe working guidance during the COVID-19 pandemic.

Paul has represented the TUC and unions on a range of external bodies including the Acas Council, Strategic Trade Advisory Group and Green Jobs Task Force. He is a member of the ITUC General Council.

Alexander Ryan

Non-Executive Director

Appointed to the Board in 2020.

Skills brought to the Board: Knowledge of Trade Unions, corporate governance, investor relations, pensions, and non-executive experience.

Alex is a member of the Nomination Committee, the Remuneration Committee, and the Board Risk Committee. He is also the Chair of the Unity Trust Bank pension scheme.

Alex has over 20 years' experience working in the Trade Union sector and has worked with a number of FTSE 100 companies.

In his role as Head of Pensions at Unite the Union, Alex is responsible for the operation of a £1billion defined benefit pension scheme and is an active voice within the pensions industry, particularly around Environmental, Social and Governance issues.

Alex is a professional member of the Association of Accounting Technicians, a member of the Pensions Management Institute and has recently completed a certified MBA with the London School of Economics & Political Science (LSE).

Susan Sternglass Noble

Independent Non-Executive Director

Appointed to the Board in 2017.

Skills brought to the Board: Financial services business models, accounting, and regulation; investment management, impact analysis and start-up experience.

Susan is Chair of the Remuneration Committee and a member of the Board Audit and Nomination Committees.

Susan joined the Bank with a 30 year career as an analyst and investor in financial services. She was an early board member of the Swedish internet stockbroker Avanza AB. She served as a Commissioner on the Dormant Assets Commission, tasked with unlocking money for the charitable sector, and was a Specialist Adviser to the Treasury Select Committee of the House of Commons.

Susan serves on the board of Invesco Asia Dragon Trust plc, a listed investment trust. She is Commissioner of the US-UK Fulbright Commission and Chair of the Finance, Audit and Risk Committee and a Director of The Fulbright Foundation. Susan is an active angel investor, particularly in women-founded tech companies.

Susan has a B.A. from Cornell University and an MSFS. from the Georgetown School of Foreign Service. She is a Fellow of The Royal Society for the Arts, Manufactures and Commerce, and a Member of Chapter Zero and a Member of the Director's Circle of Women on Boards UK.

Corporate Governance Report

Corporate Governance statement

Unity Trust Bank is an unlisted company and therefore the UK Corporate Governance Code (2018) ('the Code') does not apply. The Board considers the Code as the benchmark for good corporate governance and takes account of its principles and provisions when reviewing the Bank's corporate governance arrangements.

Board leadership and company purpose

Business Model – The Bank's business model is set out on page 12. This describes how Unity provides banking services to commercial organisations that contribute either economic, environmental, community or social benefit to society.

Culture – The Board recognises the importance of ensuring a healthy and supportive culture. We monitor this through direct employee engagement activities and discussions with the Executive Directors, the Chief People Officer, and other members of management. The Board has also designated a Non-Executive Director responsible for ensuring the interests of Unity's workforce are represented in the boardroom. Our values set out on page 13 guide us in the delivery of our purpose to be the bank with a social conscience. They enable us to be at our best for our customers, communities, society, and other stakeholders.

Engagement with Stakeholders – Significant time and effort is invested in providing detailed and transparent information to shareholders and in maintaining regular and effective dialogue with them. The Chair, Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO') engage directly with investors on a regular basis throughout the year. Page 16 explains how the Directors have had regard to shareholder and wider stakeholder needs, including employees when performing their duty under s.172 of the Companies Act 2006.

Division of responsibilities

The Board comprises two Executive Directors and five Non-Executive Directors. The Non-Executive Directors include the Chair, four independent Directors and one shareholder Director. There is a clear division of responsibilities between the offices of Chair and CEO. The Chair is responsible for promoting the highest standards of integrity, probity, and corporate governance throughout the Bank and particularly at Board level. The CEO is responsible, with the executive team, for implementing the decisions of the Board and its Committees. The CEO has established the Executive Committee to assist in the management of the business and deliver against the approved strategic plan in an effective and controlled manner.

The Board

The Board is collectively responsible for the long-term success of Unity Trust Bank. It provides strategic direction and guidance to the Executive and management, and monitors performance against financial and non-financial measures and risk appetite.

Specific Board authority is delegated to Board Committees and the CEO who may, in turn, delegate elements of discretion to appropriate members of the Executive and senior managers.

Board Committees

The Board Audit Committee – Oversight of matters relating to financial reporting and financial controls including reviewing and monitoring the integrity of the financial statements and formal announcements and disclosures relating to financial performance. The Board Audit Committee also has oversight of the independence and effectiveness of the internal and external audit functions and the effectiveness of internal financial controls.

The Board Risk Committee – Oversight of enterprise risk governance and management as well as supporting a culture that emphasises and demonstrates the benefits of a proportionate approach to risk management and internal controls.

The Nomination Committee – Oversight of the composition of the Board and its Committees, leading the process for nominations and responsible for ensuring plans are in place for the orderly succession of Board members.

The Remuneration Committee – See page 30 for details.

Remuneration Report

Introduction – Fair and proportionate pay

Unity Trust Bank is committed to adhering to regulatory requirements on remuneration and aims to provide reward packages that attract, motivate, and retain appropriately experienced and capable individuals. Fair and proportionate pay is a priority at all levels within the Bank. Unity has proudly held Real Living Wage accreditation for over 10 years, has maintained certification as an Investor in People (Gold standard), and was named as a Sunday Times Best Places to Work reflecting its collaborative culture and responsible employer practices.

A full pay review is conducted annually, ensuring that colleague pay continues to be a fair reflection of market rates. The components of remuneration are set out below. This includes Employee Profit Share and Share Incentive Plan awards, both of which are also awarded to all eligible employees and Executive Directors at the same percentage of basic pay up to any relevant tax limits (as set out below).

Unity remains committed to maintaining a diverse and inclusive workplace. The Board's diversity policy is available on the Bank's website. This also provides an indication of the Board's approach to diversity in Executive and senior management positions for the purpose of succession planning. Unity is an accredited Disability Confident employer and has made a commitment to the Women in Finance Charter.

Unity's gender pay gap for 2024 was 2.77% (2023 restated: 0.54%), and the ethnicity pay gap was 32% (2023 restated: 35%). Gender pay gap shows the difference in average earnings between women and men, and the ethnicity pay gap shows the difference in average earning of ethnic minorities[1] to non-ethnic minorities. Due to Unity's small workforce, these measures can significantly fluctuate year on year. The Bank's employee policies are designed to promote gender and ethnic equality. Unity is committed to supporting the progression of women into senior roles. The Bank's target of having at least 40% female Directors has been extended to 2026 to allow for further succession search opportunities when a female director might be appointed. At the date of signing the 2024 accounts 22% of the Directors are female (2023: 29%). Christine Coe will succeed Alan Hughes as chair of the Board in 2025, subject to shareholders and regulators' agreement, and would be the Bank's first female chair.

Remuneration Committee

The Remuneration Committee determines the level of funds available for annual salary reviews for Bank employees, the remuneration for members of the Executive Committee (other than as noted below) and reviews and approves the annual Remuneration Policy Statement required by regulators. The Committee makes recommendations to the Board in relation to bank-wide remuneration policy, the Employee Profit Share, employee share schemes, Executive and Non-Executive Director remuneration and significant changes to employee benefits.

Remuneration policy

The Bank's remuneration policy is to:

- Align our people's interests with the Bank's purpose, its strategy, risk appetites and its values, aligned with the long-term interests of its shareholders, its customers and society as a whole.
- Enable Unity to attract and retain the best people for this purpose, who share its values, taking into account the competitor landscape.
- Enable sound risk management and control within our appetites and regulators' expectations.
- Comply with the Remuneration Code and other applicable legal and regulatory requirements.
- Make awards which seek to achieve an appropriate balance between short and long-term rewards, rewarding employees for the value they create as well as for their contribution, and
- Take into account the implications of awards on the long-term financial position of the Bank.

Remuneration Components: Employees (including Executive Directors)

The Bank recognises the need to recruit and retain motivated people to work for the Bank. How employees are engaged, appraised, trained and motivated plays a key part in the Bank's culture of fairness and consequently, the fair treatment of customers. To achieve this aim, the Bank provides a competitive remuneration package commensurate with businesses of a similar size and nature. In setting remuneration, the Bank consults with its recognised Trade Union representatives. The overall remuneration package consists of a number of elements which are set out below.

Fixed remuneration

Basic salary – The Bank seeks to pay basic salaries which attract and retain talent. Paid to all employees including Executive Directors.

Benefits – Benefits include life assurance, income protection and healthcare plans. Paid to all employees including Executive Directors.

Pension – Contribution to a defined contribution scheme. Paid to all employees including Executive Directors. The defined benefit pension scheme is now closed to new entrants.

Variable remuneration

The Bank does not pay individual cash bonuses.

Profit share – Subject to the Bank's overall performance, an annual profit share award may be paid to eligible employees at the discretion of the Remuneration Committee and the Board. The profit share is set as a percentage of basic salary, with the same percentage applied to all employees including Executive Directors. The profit share for 2024 was 9% (2023: 9%).

Share based remuneration – The Bank operates three share-based schemes, the Share Incentive Plan ('SIP'), the Company Share Option Plan ('CSOP'), and the Key Person Share Option Plan ('KSOP'), details of each are provided below.

Share based schemes operated by Unity (Audited)

The Bank has established several share-based schemes designed to encourage employee ownership and increase retention whilst also aligning employee interests with those of shareholders, customers and stakeholders. Shares and Share Options may be awarded at the sole discretion of the Board, as recommended by the Remuneration Committee. The total employee shareholding at the end of the year was 0.8% (2023: 0.7%). Key highlights of the schemes are set out below with further detail provided in Note 26.

The key points in the life of share based schemes are as follows:

- Grant – The initial award. The Grant date is when holders start to earn the rights to the award.
- Vesting – This is when the holders have earned the rights to their award, however for option schemes such as the CSOP and KSOP, holders may not access the benefits until the exercise date, and
- Exercise – This is when, for option schemes, holders are able to access the benefits of the award.

Share Incentive Plan

All employees who meet the service requirements (including Executive Directors) are eligible to participate in the SIP. The SIP is a tax advantaged equity-settled plan under which employees are entitled to Free shares, subject to £3,600 per annum cap. Employees can also purchase partnership shares, up to the value of £1,800 per annum cap and these may be matched by the Bank up to a maximum ratio of 2:1. The Free and Matching shares vest over a 3 year period contingent on continuing employment with the Bank.

[1] Ethnic minority employees comprise all those not identifying as a member of a 'White' group in payroll records.

Company Share Option Plan

The CSOP is intended for selected employees (including Executive Directors) across the Bank. Options are awarded, entitling the option holder the right to acquire shares at a pre-determined exercise price after the end of the vesting period. Subject to the option holder remaining in employment with the Bank, the shares vest over 5 years, with one third vesting in year 3, one third vesting in year 4 and the residual portion vesting in year 5. As a tax-advantaged scheme, employees are not individually allowed to hold options with a market value exceeding £60,000 at grant in the scheme at any time.

Key Person Share Option Plan

The KSOP is intended for selected employees (including Executive Directors) across the Bank, with inclusion based on an annual assessment and recommendation from the Remuneration Committee for Board approval. Fair and proportionate pay to all staff is an essential principle for Unity and the KSOP scheme is designed to strike a balance between being appropriate to motivate and retain essential skills within the Bank, whilst not distorting the pay ratio of the highest earner and others in the organisation. Options are awarded, entitling the option holder the right to acquire shares at their nominal value after the end of the vesting period. Vesting is subject to the option holder remaining in employment with the Bank and certain performance conditions.

To ensure that the scheme remains proportionate and fair, a cap on the values of grant, vesting and annual exercise, at 75% of the gross annual basic salary of each participant applies. The Board retains an overriding discretion over the final level of vesting and can scale back if the value has been unduly influenced by external circumstances or determine that a claw-back shall apply within two years of the date the option is exercisable. No awards were outstanding in respect of the KSOP at the end of the year (2023: nil).

Directors' emoluments (Audited):	2024 £'000	2023 £'000
Non-Executive Directors - emoluments	**320**	312
Executive Directors - emoluments		
Remuneration as a Director	**672**	892
Remuneration as an employee	**-**	222
Executive Directors – loss of office	**-**	109
Total	**992**	1,535

Emoluments of two Executive Directors are reported for 2024 in the table above, with three Executive Directors in office in 2023. Executive director emoluments as a Director include £nil (2023: £168k) related to payments in lieu of notice.

The highest paid Director during the year was Colin Fyfe, CEO, who received a total remuneration package of £375k, this includes salary, employer's pension contributions and car allowance. In 2023 the highest paid director was the former CEO who received £679k, including compensation for loss of office. The aggregate value of company pension contributions paid, or treated as paid, to directors for the year was £17k (2023: £nil). The number of directors who accrued retirement benefits during the year was one (2023: zero).

The Bank is mindful of the 'fair approach to remuneration' of the High Pay Centre and we aim for the highest paid person to be paid no more than 20 times the median pay of the lowest quartile of the workforce. The CEO pay ratio for 2024 was 13:1 (2023: 13:1).

Independent Non-executive Directors received fees of £216k per annum in aggregate for their services (2023: £215k). The Chairman of the Bank received a fee of £104k per annum (2023: £97k) in the year. Shareholder Non-Executive Directors were not paid a fee by the Bank. The number of Independent Non-Executive Directors paid during the year was four (2023: three).

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Report of the Directors

For the year ended 31 December 2024

Results and Dividends

The results for the year, before taxation, amounted to a profit of £65.8m (2023: £63.9m). The Directors recommend a final dividend for 2024 of 9.00p per share to be paid in 2025 (2023: 7.00p per share).

Directors

The Directors during the year and at the date of signing the accounts are:

Non-Executive Directors

Alan Hughes, Chairman

Sandy Chen, Independent Non-Executive Director

Christine Coe, Independent Non-Executive Director

Professor Lord John Eatwell, Independent Non-Executive Director (appointed 28/11/24)

Paul Nowak, Non-Executive Director (appointed 05/03/25)

Alexander Ryan, Non-Executive Director

Susan Sternglass Noble, Independent Non-Executive Director

Executive Directors

Colin Fyfe, Chief Executive Officer

Martin Coward, Chief Risk Officer

Statutory disclosures

Insurance and indemnities – The Bank purchased and maintains Directors and Officers liability insurance cover. In addition, the Bank indemnifies each of its Directors and the Directors of its subsidiary, Unity EBT Limited, against liability for wrongful or negligent acts. This arrangement constitutes a qualifying third-party indemnity provision for the purposes of the Companies Act 2006 and applied to each of the Bank's Directors serving in 2024 and as at the date of approval of this report.

Future developments – An indication of future developments is included in the Strategic Report.

Risk – Information on exposure to, and management of credit risk and financial risk can be found in the Strategic Report and the Risk Management section.

Environmental – Climate-related Financial Disclosures can be found on pages 18 - 21 of the Strategic Report.

Engagement with suppliers, customers and others – Information on how Unity has had regard for suppliers, customers and other stakeholders is included within the Section 172 statement. Unity's policy is to pay suppliers promptly and within 30 days.

Post Balance Sheet Events – There are no significant post balance sheet events to report.

Taxation

The Bank participates in the Community Investment Tax Relief ('CITR') scheme which encourages investment in disadvantaged communities by giving tax relief to companies who invest in Community Development Finance Institutions ('CDFIs'). Deductions from Corporation Tax totalling £1,169k (2023: £921k) were made regarding the CITR scheme. A total of £3.2m has been claimed by Unity in relation to CITR in the last 5 years.

The following table shows a breakdown of the Bank's tax contributions:

	2024 £'000	2023 £'000
Corporation tax	**14,668**	8,698
VAT	**1,882**	1,459
Employment tax		
• Employer NIC	**1,722**	1,319
Total taxes paid	**18,272**	11,476
Employment taxes collected		
• Employee PAYE and NIC	**4,176**	3,304
Total tax contributions	**22,448**	14,780

Going Concern

The financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation that the Bank has adequate resources to continue in business for the foreseeable future.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including future projections of profitability, cash flows and capital resources, the potential risks affecting these, including those arising from changes in interest and inflation environments, and climate change. A range of different plausible scenarios have been modelled, considering possible mitigating management actions, in addition to capital and liquidity stress and reverse stress testing.

In addition, the Risk Management section includes the Bank's policies and processes for managing its capital, its financial risk management and its exposures to credit risk and liquidity risk.

The Bank has considerable financial resources, and the Directors believe that the Bank is well placed to manage its business risks successfully. For this reason, they continue to adopt the going concern basis in preparing the Bank's financial statements. Further information relevant to the assessment is provided within the basis of preparation of the financial statements on page 80.

Disclosure of information to the Auditor

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

The Directors consider that the Annual Report, taken as a whole, is fair, balanced, and understandable, and provides the necessary information to assess the company's position and performance, business model and strategy.

Auditor

The Board will recommend the re-appointment of Deloitte LLP to shareholders at the 2025 AGM.

Approved by the Board of Directors and signed on behalf of the Board by:

Katherine Eldridge
Company Secretary
5 March 2025

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ('IFRSs') as adopted by the UK.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of its profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- Make an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Bank, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Katherine Eldridge
Company Secretary
5 March 2025

Risk Management

Approach to Risk Management

Unity maintains an Enterprise Risk Management Framework ('ERMF') which encourages a structured and consistent approach to existing and emerging risks. Unity's principal risk categories are overseen through specific risk committees. This allows close management attention to individual risks and provides clear focus for Unity to remain within our agreed risk appetite and quickly identify changes in risk profile.

Current and recent economic conditions, including inflation volatility, geo-political tensions, the cost-of-living crisis and changes in regulations are factored into our approach to risk management. Whilst the level of inherent risk for some of Unity's principal risks and uncertainties has changed; Unity's risk controls continue to provide appropriate mitigation in accordance with our risk appetite.

The principal risks, many of which are inherent in all banking businesses, are mitigated and managed through the ERMF and the polices and processes within Unity that adhere to it. Further information on risk management and the governance structure of the Bank can be found in the Pillar 3 disclosures on Unity's website.

The Board of Unity sets a risk appetite statement representing the aggregate level and types of risk that Unity is willing to take in pursuit of its objectives. The business operates within this appetite; actively monitoring exposures using key risk indicators and early warning indicators. The Bank operates a 'three lines' risk management model, as described in the ERMF, whereby:

- The first line comprises the business functions, who identify, assess, and manage risks arising from their day-to-day activities. They pursue Unity's corporate objectives and run the business in line with agreed risk appetite (risk ownership)
- The second line comprises the Risk function, which specialises in risk and compliance management. It supports and guides the first line of defence to manage risk within risk appetite and provides independent oversight to senior management. The second line helps develop risk policies, frameworks, tools and techniques (risk oversight).
- The third line is provided by an independent internal audit function. The third line reviews how the first and second lines operate and reports to the Board Audit Committee on the internal control environment (risk assurance). Unity outsources the internal audit function.

Five risk committees are in place to provide governance and oversight to the principal risks and uncertainties for Unity. Each risk committee monitors current and emerging risk exposures versus risk appetite, and the effectiveness of Unity's control environment, in the context of the principal or sub-risks assigned to it.

The committees comprise members who are first line management, with second line in attendance. The committees undertake a number of responsibilities as part of their risk governance role, including monitoring performance against key risk indicators, monitoring risk incidents and remedial action plans, and ensuring the management information it receives is sufficient to enable it to exercise oversight over risk exposures and related controls.

Principal risks and uncertainties

Unity's risk profile has not changed over the last year, and no material changes have taken place in the mitigation of these risks. However, in order to accurately reflect Unity's organisational structure and how risk is managed, some changes have been made to the way risks are categorised for Unity. These changes are highlighted in the following table where relevant, along with any relevant changes over the last year.

Principal Risk	**Strategic**
Risk Definition	The risk of failures in decision making, internal or external events that impact growth and performance to the business.
	Sub Risks
Reputational	The risk that an event, behaviour, decision, action or inaction by Unity, its employees or those who are associated may cause a negative view or reduce trust in the Bank.
Climate & Impact	The risk that Unity does not meet its purpose to deliver a benefit to society and maintain our double bottom line. This may arise from ineffective impact management practices or be affected by the negative consequences of physical and transitional risk arising from climate change.
Financial Delivery	The risk of not meeting budgetary and strategic goals arising from events or occurrences that undermine the Bank's strategy.
Pension (DB)	The risk that Unity fails to meet its obligations to its defined benefit pension scheme.
Culture	The risk that behaviours, actions and / or practices within Unity are misaligned with its values, beliefs, purpose and ambition.

Key Mitigation	Key Impacts	Year on Year Change Summary
• Appropriate policies and training and monitoring is in place to ensure Unity's culture and staff behaviour aligns with our values and beliefs. • Stress testing, using scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System ('NGFS') has been conducted to inform the capital held for climate change risks. • Unity does not provide banking services to organisations involved in fossil fuels extraction and refinement, environmentally harmful chemicals, or unsustainable harvest of natural resources. This includes a strict exclusions policy ratified by the Bank's Credit Committee. • Stress testing on climate related financial risks has also been completed in the ICAAP, assessing supply chain, labour disruption as well as increasing costs and valuation reductions. • The defined benefit pension scheme aims to hold assets that display broadly similar interest rate and inflation sensitivity to the scheme's liabilities, and the scheme's funding position is monitored on a regular basis. • If there is a deficit on the defined benefit pension scheme's statutory funding basis, then a recovery plan must be put in place. • Regularly (at least monthly) reporting against budget	• Reduced ability to report and manage impact and ESG considerations of portfolio. • Damaged reputation, leading to financial loss for Unity • Financial loss due to not meeting budgetary and strategic goals • Customer and firm detriment due to a poor culture of behaviours and practices not being aligned to Unity's values. • Risk of impacts of climate change affecting ability of customers to repay based on transition risks or physical risks.	• Continued development of our climate-related risk management capabilities has been a key priority of 2024. Unity continued to work with B-Corp in 2024, to analyse physical risk and conduct an assessment of all borrower security assets against key climate forecast scenarios across 11 hazards. This will continue to be integrated into Unity's ICAAP stress testing and will form part of our support to customers as an ethical bank. • The IAS 19 surplus has decreased recently. This is partly because the actual investment return achieved on the assets was lower than that required to match the expected increase in defined benefit obligation over the year. The strategy of the scheme is to achieve a low dependence position by the time it is significantly mature. • The last triennial actuarial valuation as at 30 June 2024 revealed a funding surplus of £737k (30 June 2021: £4,887k surplus). Accordingly, no contributions are currently required from Unity. • There remains significant uncertainty as to whether the judgments from the Virgin Media vs NTL court case will result in increased liabilities for the Bank. A detailed review is required to assess the impact of this ruling on the scheme liabilities. As at 31 December 2024, Unity is not certain of the implications of the ruling and cannot make a sufficiently reliable estimate of any effect.

Principal Risk	Credit
Risk Definition	The potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

Sub Risks

Customer Lending	The risk that Unity's borrowers do not repay loans according to agreed terms, or facility documentation or security cannot be relied upon where a customer fails to meet their obligations or where economic factors result in security values falling below debt level where loans are secured, leading to expected or actual financial loss for the Bank.

Key Mitigation

- Experienced Credit Risk team which shapes and reviews all lending requests against the Credit Committee approved lending and sector policies.
- Credit Risk team conduct ad hoc portfolio and sector reviews to provide early warning of deteriorating exposures.
- Specialist internal resource dedicated to those few customers experiencing financial distress, providing support and close monitoring.
- Relationship Management model enables prompt conversations with those customers showing early signs of financial distress.
- Relationship Managers and Credit team integrate impact and ESG requirements to loan reviews to ensure borrowers meet our sector policies.
- Relationship Managers work with all borrowing customers to monitor our individual exposure and assess the impact of our lending on climate change.
- Stress testing and reverse stress testing is completed quarterly considering the probability of default, loss given default and risk grade changes.
- The ICAAP document completes scenario analysis on market wide, idiosyncratic and combined scenarios for severe yet plausible assumptions.

Key Impacts

- Losses if a customer fails to make repayments.
- Losses if an investment fails to perform.
- Increased provisions for credit losses whilst heightened economic uncertainty remains.
- Increased management time/costs.

Year on Year Change Summary

- Credit risk pressure has remained through the financial year with borrowers gradually acclimatising to the higher interest rate and cost environment. The Bank's overall credit profile remains stable, and risk grades are assessed and updated accordingly.
- Risk grades were disaggregated during the year, introducing intermediate ranges between the absolute numerical values. This enables the Bank to enhance monitoring and management of credit risk changes in the loan book.

Principal Risk	Financial
Risk Definition	The risk that Unity is unable to fulfil its financial obligations.

Sub Risks

Market	The risk that changes in market rates negatively impact earnings and/or the market value of the Bank's assets and liabilities to the extent this affects the Bank's strategy.
Capital Adequacy Risk	The risk that Unity does not meet minimum regulatory capital requirements under normal and stressed conditions, has insufficient capital to operate within Board risk appetite or support strategic growth plans
Assets & Liabilities Risk	The risk that Unity doesn't manage financial resources efficiently and identify risks appropriately, including credit related risks in the Treasury book.
Liquidity and Funding	Liquidity - Maintain a high quality portfolio of cash at central bank and securities that either have a deep cash secondary market or can be repo'd with a central bank. Funding - The risk that the Bank does not have sufficient stable and diverse sources of funding, or that the funding structure is inefficient, either with regard to price or regulatory compliance.

Key Mitigation

- Manage interest rate risk using both Economic Value and Earnings metrics and understanding the trade-offs between them. Use the most efficient balance sheet items e.g. customer assets/liabilities, interest rate swaps or Treasury cash instruments to hedge risks.
- ICAAP and ILAAP processes.
- Stress/scenario/IFRS 9 testing and modelling to reflect ongoing economic uncertainty, disruption events and climate change.
- Regular dialogue between senior management and prudential regulatory bodies.
- Modelling impacts of regulatory change.
- Close control of lending portfolio mix to avoid capital or business type distortion.
- Business plan focussing on growing non-interest income contribution.
- Regular shareholder communications.
- Liquidity is managed through an independent Treasury function.
- Intra-day liquidity monitoring.
- Principles of liquidity pricing set and monitored through ALCO.
- Alternative funding options are kept under constant review.
- Structural hedging to support the delivery of the Bank's strategy.

Key Impacts

- Value risks to specific shocks that puts the capital position within the buffers.
- Earnings risk beyond a specified position that endangers the business strategy.
- Treasury investments.
- Growth and investment plans not achieved leading to financial loss for Unity.
- Regulatory capital buffers could require utilisation.
- Damaged reputation leading to financial loss for Unity.
- Customer detriment.
- Additional regulatory scrutiny and financial penalties.
- Unsustainable funding.
- Uncompetitive liability pricing leading to liquidity and funding shortfalls.
- Regulatory liquidity requirements being breached.

Year on Year Change Summary

- Unity continues to exceed all regulatory liquidity and funding requirements.
- Unity has introduced new longer-term products to provide contractual term to its funding base.
- With continued economic uncertainty, customers may require increased cash flow support.
- Quantitative tightening, unwind of Term Funding for SMEs and the higher interest rate environment has resulted in greater competition.
- increased due to the financial performance of the Bank over the last year.
- A limit change was set through the ICAAP process.
- Increase in structural hedging implemented to support the delivery of the Bank's strategy.
- Unity continues to monitor changes in Bank rate noting the downward trajectory. A decrease in the Bank rate reduces Unity's earnings. To mitigate the impact of earnings volatility from rate changes, Unity introduced a £208m equity structural hedge during the year.

Principal Risk	Regulatory
Risk Definition	The risk that Unity fails to meet legal and regulatory obligations leading to financial loss and enforcement action. Regulatory risk includes the risks associated with financial crime (which include, but are not limited to money laundering, bribery and sanctions), privacy, market conduct, consumer protection, business conduct, as well as prudential.

Sub Risks

Financial Crime	The risk that Unity fails to prevent or identify bribery and corruption, counter terrorist financing, money laundering or manage PEPs and sanctions appropriately.
Compliance	The risk that Unity fails to adhere to regulatory changes and requirements, meet reporting timelines and / or submits inaccurate reports.
	The risk that Unity fails to meet legal requirements, and / or experiences losses or sanctions

Key Mitigation

- Unity is committed to reducing risk exposure and ensure it continues to meet regulatory expectations on AML and wider financial crime control frameworks.
- Staff screening and enhanced due diligence for those certified under the Senior Managers Regime.
- Extensive staff mandatory training on both anti-money laundering ('AML') and anti-bribery and corruption ('ABC').
- Tiered authorities and segregation of duties within departments releasing payments and funds.
- Customer risk assessment model for onboarding and periodic reviews. KYC, customer due diligence and enhanced due diligence procedures updated with external industry input. Ringfenced team with a mandate to ensure KYC compliance for existing and new customers.
- Provision of dual and triple authorities for customer business banking.
- Fraud awareness and support for customers
- Values are clearly defined, regularly communicated and measured in business processes.
- Regulatory Conduct Rules embedded in our business practices and procedures.
- Legal and Compliance expertise maintained in-house.

Key Impacts

- Breach of AML or ABC regulations, leading to regulatory censure
- Customer detriment and reputational damage
- Poor customer outcomes, jeopardising our business plan.
- Reputational damage from poor customer service and outcomes, leading to financial loss for customers
- Additional regulatory scrutiny and financial penalties.
- Unacceptable operational financial losses.

Year on Year Change Summary

- The continued headwinds facing the economy, financial pressures on individuals and changes in working practices continue to lead to increases in motivation and opportunity for financial crime across the sector and within our own business.
- The global geopolitical conflicts expose Unity to greater Sanctions and Terrorist Financing risks.
- Technology advancements increase the risk of fraud however Unity continues to invest in people and technology to combat financial crime.
- Increased resource within the Compliance and front line teams means assurance activity and the control framework is better equipped to focus on priorities arising from the evolving regulatory landscape.

Principal Risk	Conduct
Risk Definition	The risk that inadequacies within Unity's behaviours, culture, products or services could lead to poor outcomes or harm for customers.

Sub Risks

Customer Understanding	The risk that customers are unable to make informed financial decisions through a lack of transparency or clarity within the Bank's communications, product and service offerings. Inadequate customer insight may result in uninformed decision making, unsuitable products and services, a poor client experience, and inappropriate prioritisation of the change agenda.
Pricing & Value	The risk that the Bank fails to provide customers with fair value or suitably priced products and services.
Products & Services	The risk that products and services are not designed to meet customer's needs, characteristics and financial objectives.
Customer	The risk that pre- and post-sale processes within Unity do not act in the interest of the

Key Mitigation

- Regular monitoring to ensure we are delivering good customer outcomes. Compliance risks and controls are assessed using the judgement of a specialist Compliance function.
- Appropriate and established policies and procedures; employee training and oversight from first and second line.
- Product development and supporting processes designed to deliver fair outcomes for customers.
- Customer understanding of products and services measured independently against good outcomes. Products and services developed to meet the needs of all customers.

Key Impacts

- Poor customer outcomes, jeopardising our business plan.
- Reputational damage from poor customer service and outcomes, leading to financial loss for customers
- Additional regulatory scrutiny and financial penalties.

Year on Year Change Summary

- With the implementation of Consumer Duty, Unity focuses to deliver good outcomes through enhancing the vulnerable customers framework, accessibility and support, fair value pricing and assessments and governance for decision making.
- Unity continues to ensure compliance and embedding of the Consumer Duty in day-to-day processes to ensure they are customer need focused.
- To ensure good customer outcomes are delivered we have developed an Accountability Framework which sets out responsibilities, what a good customer outcome is, how it is measured and what any potential harm may look like

Principal Risk	Operational
Risk Definition	The risk of operational losses to the Bank caused by inadequacies or failures within processes, systems, people or external events.
Sub Risks	
People	The risk that people are not sufficiently engaged, motivated, capable or skilled to deliver the Bank's objectives in line with the strategy, leading to increased attrition and operational losses.
Data (Inc. Model)	The risk of business loss due to poor data governance, data mismanagement and/or due to decisions based on inaccurate data or modelling.
Third Party	The risk of operational losses caused by poor selection and ongoing management of third-party suppliers, vendors or contractors.
Information Security	The risk of loss of confidentiality, integrity, availability of information, data, or technology due to unauthorised access, disruption, modification, or destruction of information and/or information systems leading to adverse operational and financial impacts.
Business Process	The risk of unexpected financial or reputational loss as the result of poor design or execution of regular business tasks.
Fraud	The risk of operational and financial loss caused by any intentional, unlawful or unauthorised act directed to manipulate internal systems processes or people for financial gain.

Key Mitigation

- Training and development plans for all employees based on roles; succession and development plans for key roles. Shortening recruitment lead time to increase resourcing resilience.
- Data centralisation and control, to provide one source, with a Business Insight team providing one version of data.
- 3rd party providers' resilience assessed at contract initiation and as a minimum annually depending on materiality. Contract reviews completed in accordance with PRA outsourcing guidelines.
- 3rd party supplier dashboard developed to monitor changes in supplier operational resilience.
- Due diligence undertaken toward all 3rd party suppliers regarding their cyber defences; their supplier due diligence and their approach towards climate change.
- Review, approval and monitoring at Operational Risk Committee.
- Cyber resilience programme implemented to improve National Institute of Standards and Technology ('NIST') score
- Increased automation used to manage both the change process and data loss prevention.
- Tiered authorities and segregation of duties within departments releasing payments and funds.

Key Impacts

- Unacceptable operational losses.
- Financial loss or loss of customer data.
- Inability to maintain our important business services within acceptable tolerances, causing harm to our customers or our business.
- Continuity of service disruption from the introduction of inappropriate system changes.
- Incomplete or inaccurate regulatory reporting due to poor data quality.
- Customer detriment.
- Regulatory censure.
- Negative publicity leading to reputational damage for Unity
- Financial loss or loss of customer data.
- Fraud causing the loss of customer funds or data, leading to regulatory scrutiny and financial penalty

Year on Year Change Summary

- Unity continued to invest in recruitment in 2024, in terms of both capacity and capability.
- Operational resilience has been a key focus for unity in 2024, with groundwork undertaken to enable further development in 2025.
- A specific Vendor Management system has been introduced to enhance third party risk management.
- Cyber Security policies & standards and vulnerability management were enhanced in 2024.
- Additionally, we have purchased and implemented a new email security gateway and are in the process of implementing Data Loss Prevention & Data Classification tools.

Principal Risk	Change
Risk Definition	There is a risk that the Bank implements change that may result in reputational damage, financial loss or exposure, major breakdown in IT systems, significant incidents of regulatory non-compliance or high potential risk of injury to staff.
Sub Risks	
Technology Investment	The risk that technological changes do not meet their expected objectives in terms of customer and/or business benefits and costs.
Prioritisation	The risk that change is not prioritised effectively and/or risks of descoping change are not understood, potentially leading to sub optimal benefits realisation for customers and/or Unity and additional costs.
Project Management	The risk that projects are not managed effectively to time, budget or specification.

Key Mitigation

- External professionals and subject matter experts used to validate key projects before and during execution.
- Change management framework and associated procedures to ensure change is prioritised, managed and implemented effectively
- Regular monitoring and reporting to Risk Committee of progress on change activity, including escalation of issues as required

Key Impacts

- Unacceptable operational losses.
- Inability to maintain our important business services within acceptable tolerances, causing harm to our customers or our business.
- Continuity of service disruption from the introduction of inappropriate system changes.
- Regulatory censure and potential fines.
- Negative publicity leading to reputational damage for Unity.

Year on Year Change Summary

- Elevated Change risk and considered in Exco to reflect the risk that the expected objectives / benefits from business change are not realised, or change is not managed appropriately, potentially leading to customer detriment, financial loss to the Bank through additional costs.
- Recruitment of a Chief Transformation Officer with appointment in January 2025.

Emerging risks

Unity's risk register summarises both active and emerging risks. Emerging risks arise from external and internal factors and are reported through the five risk committees to inherently assess material risk impact to our customers, strategy or bank wide objectives. They are monitored through governance to ensure remedial action is taken to strengthen or enhance controls where decisions have been made to class the risk as active and proceed with mitigation. Principal emerging risks which are managed as part of the ERMF include:

- data strategy, addressing multiple touch points as data moves between legacy systems and reporting requirements evolve;
- resource planning, employee capacity and capability, to better anticipate the impact of Unity's growth strategy;
- regulatory change; continued embedding and maintenance of new guidance in delivering fair and balanced customer outcomes;
- financial crime risks impacted by exposing the Bank to different customer types and sectors;
- geopolitical volatility, impacted by domestic and international pressures; and
- cyber risk, sophistication of 'bad actors' and advancement of artificial intelligence.

Credit risk (Audited)

Credit risk is an integral part of many of our business activities and is inherent in traditional banking products (loans and commitments to lend) and in 'other products' (such as lending transactions). Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Bank or its failure to perform as agreed.

All authority to take credit risk derives from the Bank's Board. The level of credit risk authority delegated depends on seniority and experience, varying according to the quality of the counterparty or any associated security or collateral held.

The Bank's Risk Management Framework is approved by the Board annually and determines the criteria for the management of corporate exposures. It specifies credit management standards, including country, sector and counterparty limits, along with delegated authorities.

The Bank's Risk appetite aim is to maintain a broad sectoral spread of exposures which reflect the Bank's areas of expertise. Credit exposures to corporate and business banking customers are assessed individually. The quality of the overall portfolio is monitored, using a credit grading system calibrated to expected loss. The Board Risk Committee receives regular reports on new facilities and changes in facilities, sector exposures, impairment provisions and the realisation of problem loans.

Credit policy for treasury investments involves establishing limits for each of these counterparties based on their credit rating.

Maximum exposure to credit risk (Audited)

	Gross balance	**Credit commitments**		**2024 Credit risk exposure**	Gross balance	Credit commitments		2023 Credit risk exposure
		Pipeline[1]	**Other**			Pipeline[1]	Other	
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Cash balances at central banks	**621,898**	**-**	**-**	**621,898**	476,613	-	-	476,613
Loans and advances to banks	**2,689**	**-**	**-**	**2,689**	-	-	-	-
Loans and advances to customers	**1,023,498**	**53,775**	**43,635**	**1,120,908**	1,023,310	39,864	40,363	1,103,537
Investment securities	**314,130**	**-**	**-**	**314,130**	247,416	-	-	247,416
Total	**1,962,215**	**53,775**	**43,635**	**2,059,625**	1,747,339	39,864	40,363	1,827,566
Impairment allowance for:								
Loans and advances				**(9,682)**				(9,664)
Treasury investments				**(82)**				(27)
EIR and accrued income				**(4,995)**				(5,433)
				2,044,866				1,812,442

[1]As detailed in note 11, irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. These commitments represent authorised overdraft balances and separately identifiable commitments for loan pipeline, where the facilities remain undrawn. The commitments are not recognised on the balance sheet. Other credit commitments relate to the undrawn portion of facilities where a borrower has made a partial drawdown. A provision against these commitments is recognised within stage 1 of the Expected Credit Losses ('ECL').

The Bank's concentration exposure for loans and advances as well as treasury investments is outlined in note 11 and the Risk Management section.

Credit risk analysis (Audited)

As discussed in the accounting policy (note 1), assets are allocated to the following stages (subject to other qualitative triggers not being met): internal risk grades 1-5 are classified as stage 1, risk grades 6-7 are stage 2 and risk grades 8-9 are stage 3. The definitions of these risk grades are as follows:

RG	Short Description	Detail
1	Very strong credit risk	Greater than 3-year history with Unity, excellent RM relationship, experienced management, robust debt service capacity, high liquidity, diverse client base, consistently 'Good' or higher ratings from third-party monitors for more than 3 years.
2	Strong credit risk	Greater than 3-year history at Unity maintains excellent RM relationship. Strong management, debt service, liquidity, and diverse client base, consistently rated 'Good' or higher by third-party monitors for more than 3 years.
3	Good credit risk	Greater than 3-year history at Unity, satisfactory RM relationship, capable management with clear strategy and succession plan, satisfactory debt service capacity and liquidity, diverse client base, consistently 'Good' or higher ratings from third-party monitors for more than 3 years.
4	Acceptable credit risk	Satisfactory RM relationship, experienced management with clear business plan but lacking succession plan, acceptable debt service capacity and liquidity, less diverse client base, consistently 'Good' or higher ratings from third-party monitors for more than 2 years.
5	Weak credit risk	Limited RM relationship, weak management lacking succession plan, weak debt service capacity, poor liquidity and financial ratios, less diverse or poor client base, inconsistent or less than 'Good' ratings from third-party monitors.
6	Poor credit – Watchlist	Exhibits signs of unsatisfactory performance but expected to continue trading. Triggers for Watchlist status may include deteriorating balance sheet or profitability, creditor pressure, trading difficulties, covenant breaches, loan repayment issues, cost or time overruns for development loans, reduction in security value, or any other reason requiring closer control by the Bank.
7	Sub standard	Further deterioration beyond Watchlist triggers, but full repayment is expected. Triggers include loan repayment overdue by 60 days, ongoing deterioration in performance, and cessation of trading with voluntary asset realization. Management responsibility shifts to the Credit Risk team when downgraded to Risk Grade 7, indicating sufficient security to prevent anticipated losses
8	Default	Risk of business failure and potential risk of loss to the Bank, meets definition of default detailed in note 1 to the financial statements.
9	Realisation	Realisation status is applied where a formal insolvency process has commenced (Bankruptcy, Liquidation, Administration or Appointment of an LPA Receiver). Realisation cases will be managed by the Credit Underwriting team, although occasionally ongoing RM involvement may be retained if considered beneficial.

Overall credit quality and performance has remained broadly stable over the period, with arrears and defaults remaining at a low level.

The following table analyses the ECL stage, illustrating the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance. This analysis includes loans and advances to customers, including pipeline commitments and investment securities, and represents their exposure to credit risk.

Gross balance movements in the year (Audited)

31 December 2024	Stage 1 12 month ECL	Stage 2 Lifetime ECL - SICR[2,3]	Stage 3 Lifetime ECL – credit impaired[3]	Total
	£'000	£'000	£'000	£'000
Impairment provision at 1 January 2024	4,145	2,313	3,233	9,691
Gross carrying amount as at 1 January 2024	1,244,119	43,080	24,903	1,312,102
Individual financial assets transferred to stage 1	9,709	(9,709)	-	-
Individual financial assets transferred to stage 2	(13,420)	18,431	(5,011)	-
Individual financial assets transferred to stage 3	(13,842)	(1,545)	15,387	-
New financial assets originated or purchased	289,120	-	-	289,120
Financial assets that have been derecognised	(192,692)	(3,240)	(6,554)	(202,486)
Other changes[1]	(1,938)	(4,618)	633	(5,923)
Gross carrying amount as at 31 December 2024	1,321,056	42,399	29,358	1,392,813
Impairment provision at 31 December 2024	2,708	1,457	5,599	9,764

[1]Other changes include contractual repayments in year for loan balances impacting Stages 1-3 and also current year fair value movement for treasury investments, impacting Stage 1.

[2]'SICR' is an abbreviation of Significant Increase in Credit Risk

[3]Included in Stage 2 and Stage 3 columns above are accounts that are greater than 30 days past due and 90 days past due respectively.

31 December 2023	Stage 1 12 month ECL	Stage 2 Lifetime ECL - SICR[2]	Stage 3 Lifetime ECL – credit impaired[2]	Total
	£'000	£'000	£'000	£'000
Impairment provision at 1 January 2023	2,848	1,394	1,891	6,133
Gross carrying amount as at 1 January 2023	1,093,651	39,504	6,314	1,139,469
Individual financial assets transferred to stage 1	86	(86)	-	-
Individual financial assets transferred to stage 2	(21,937)	21,937	-	-
Individual financial assets transferred to stage 3	(14,097)	(7,599)	21,696	-
New financial assets originated or purchased	334,172	-	-	334,172
Financial assets that have been derecognised	(189,883)	(1,182)	(285)	(191,350)
Other changes[1]	42,127	(9,494)	(2,822)	29,811
Gross carrying amount as at 31 December 2023	1,244,119	43,080	24,903	1,312,102
Impairment provision at 31 December 2023	4,145	2,313	3,233	9,691

[1]Other changes include contractual repayments in year for loan balances impacting stages 1-3 and also current year fair value movement for treasury investments, impacting stage 1.

[2]Included in Stage 2 and Stage 3 columns above are accounts that are greater than 30 days past due and 90 days past due respectively.

Collateral (Audited)

Collateral is only held for loans and advances to customers. Any shortfall of security for an exposure is generally regarded as unsecured and assessment includes this element of residual risk. As at 31 December 2024 £37.2m (2023: £37.6m) within loans and advances was unsecured. Where the security, post any market value haircuts (as discussed in note 11), is greater than the loan exposure, no impairment allowance is recognised. As at 31 December 2024 £329.7m (2023: £283.9m) within loans and advances and pipeline required no provision.

Collateral held relates to the underlying property, on which the loan is secured. This mainly comprises real estate within the commercial and residential markets, the market value of which is assessed on a regular basis.

At the reporting date, the fair value of collateral held as security against credit impaired (stage 3) assets was £48.8m (2023: £46.8m).

Geographical concentration (Audited)

The nominal geographical split of Investment Securities is detailed in the table below:

Country	**Repayable within 30 days**	**Repayable within 1 year but more than 30 days**	**Repayable in over 1 year**	**Credit risk mitigation**	**Total exposure 31 December 2024**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
United Kingdom	**6,215**	**20,000**	**199,600**	**-**	**225,815**
	6,215	**20,000**	**199,600**	**-**	**225,815**
Rest of Europe					
Germany	**-**	**4,900**	**-**	**-**	**4,900**
	-	**4,900**	**-**	**-**	**4,900**
Rest of the World					
Australia	**-**	**-**	**8,000**	**-**	**8,000**
Canada	**-**	**5,000**	**26,000**	**-**	**31,000**
Supranational	**-**	**37,500**	**5,600**	**-**	**43,100**
	-	**42,500**	**39,600**	**-**	**82,100**

Country	Repayable within 30 days	Repayable within 1 year but more than 30 days	Repayable in over 1 year	Credit risk mitigation	Total exposure 31 December 2023
	£'000	£'000	£'000	£'000	£'000
United Kingdom	-	10,000	79,600	-	89,600
	-	10,000	79,600	-	89,600
Rest of Europe					
Germany	-	-	10,000	-	10,000
	-	-	10,000	-	10,000
Rest of the World					
Australia	-	-	8,000	-	8,000
Canada	-	-	31,000	-	31,000
Supranational	-	45,000	70,700	-	115,700
	-	45,000	109,700	-	154,700

Interest rate risk (Audited)

Interest rate risk is primarily managed through assessing the sensitivity of the Bank's non-trading book to standard and non-standard interest rate scenarios. The Board has established a risk appetite to manage earnings and economic value to rises and falls in yield curves, assuming the external rate on all retail products changes to maintain constant margins.

The Board receives reports at least quarterly on the management of balance sheet risk and ALCO reviews the balance sheet risk position and the utilisation of wholesale market risk limits. The Bank monitors the impact of a range of possible interest rate changes on its assets and liabilities closely and sensitivities are reported to ALCO monthly.

The following table details the sensitivity of the Bank's annual earnings to a 25 basis point change in interest rates at the year-end (with all other variables held constant). A positive number indicates an increase in profit.

	+25 bps 2024 £'000	+25 bps 2023 £'000	**-25 bps 2024 £'000**	-25 bps 2023 £'000
Impact	**2,350**	2,754	**(2,010)**	(2,489)

The 2024 interest rate sensitivity includes the impact of adding derivatives. Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics – such as SONIA and Bank of England Bank Rate) and prepayment risk (the risk of loss arising from early repayments of fixed rate loans) are also monitored closely and regularly reported to ALCO.

The following tables summarise the repricing periods for the assets and liabilities in the Bank's non-trading book. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date. Interest free current account balances are included in the 'within 3 months' maturity band.

Repricing analysis (Audited)

31 December 2024	Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	More than 5 years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and balances with the Bank of England	621,898	-	-	-	-	-	621,898
Loans and advances to banks	2,689	-	-	-	-	-	2,689
Loans and advances to customers	934,129	-	1,436	38,761	49,172	(9,682)	1,013,816
Investment securities	152,945	12,376	-	148,809	-	-	314,130
Other assets	-	-	-	-	-	4,756	4,756
Total assets	**1,711,661**	**12,376**	**1,436**	**187,570**	**49,172**	**(4,926)**	**1,957,289**
Liabilities							
Customer deposits	1,591,945	44,171	55,972	25,116	-	-	1,717,204
Derivatives	3	12	73	1,586	-	-	1,674
Other liabilities	-	-	-	-	-	16,294	16,294
Total equity	-	-	-	-	-	222,117	222,117
Total liabilities and equity	**1,591,948**	**44,183**	**56,045**	**26,702**	**-**	**238,411**	**1,957,289**
Interest rate sensitivity gap	**119,713**	**(31,807)**	**(54,609)**	**160,868**	**49,172**	**(243,337)**	
Cumulative gap	**119,713**	**87,906**	**33,297**	**194,165**	**243,337**	**-**	

31 December 2023	Within 3 months	Over 3 months but within 6 months	Over 6 months but within 1 year	Over 1 year but within 5 years	More than 5 years	Non-interest bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and balances with the Bank of England	476,613	-	-	-	-	-	476,613
Loans and advances to banks	1,799	-	-	-	-	-	1,799
Loans and advances to customers	959,132	-	-	27,589	36,589	(9,664)	1,013,646
Investment securities	159,318	11,908	76,190	-	-	-	247,416
Other assets	-	-	-	-	-	6,334	6,334
Total assets	1,596,862	11,908	76,190	27,589	36,589	(3,330)	1,745,808
Liabilities							
Customer deposits	1,365,482	143,090	42,070	8,667	-	-	1,559,309
Derivatives	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	13,882	13,882
Total equity	-	-	-	-	-	172,617	172,617
Total liabilities and equity	1,365,482	143,090	42,070	8,667	-	186,499	1,745,808
Interest rate sensitivity gap	231,380	(131,182)	34,121	18,922	36,589	(189,829)	
Cumulative gap	231,380	100,198	134,319	153,241	189,829	-	

Derivatives held for risk management and hedge accounting

The following table describes the fair values of derivatives held for risk management purposes by the type of risk exposure. Additional information on hedge relationship can be found in Note 11.

£m	2024		2023	
	Assets	**Liabilities**	Assets	Liabilities
Risk Exposure				
Interest Rate				
Designated in cash flow hedges	**-**	**(1,674)**	-	-
Total interest rate derivatives	**-**	**(1,674)**	-	-

Liquidity

The Liquidity Coverage Ratio, which measures a bank's ability to meet short term obligations, remained strong at the end of the year at 228% (2023: 210%). The following table analyses assets and liabilities into relevant maturity groupings based on the remaining period of the balance sheet date to the contractual maturity date.

The Bank manages liquidity on a behavioural rather than contractual basis. The deposit base is very stable, with deposits being attracted to the Bank by good customer service and its commitment to the trade union and core sectors. As a result, the deposit base remains stable whereas the contractual maturity is immediate for instant access deposits.

These behavioural adjustments are based on historical experience of customer behaviour over a period of up to ten years.

As a result of this strength, the Bank has not been required to enter into the markets during the year. Future asset growth will be undertaken within the liquidity risk appetite set by Board.

Maturity analysis (Audited)

31 December 2024	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Non-cash items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and balances at central banks	621,898	-	-	-	-	-	621,898
Loans and advances to banks	2,689	-	-	-	-	-	2,689
Loans and advances to customers	-	9,116	10,498	418,319	575,883	-	1,013,816
Investment securities	-	46,204	12,376	15,117	240,433	-	314,130
Other assets	-	-	-	-	-	4,756	4,756
Total assets	624,587	55,320	22,874	433,436	816,316	4,756	1,957,289
Liabilities							
Customer deposits	1,548,521	48,737	97,650	22,296	-	-	1,717,204
Derivatives	-	3	85	1,586	-	-	1,674
Other liabilities	-	-	-	-	-	16,294	16,294
Total equity	-	-	-	-	-	222,117	222,117
Total liabilities and equity	1,548,521	48,740	97,735	23,882	-	238,411	1,957,289
Net liquidity gap on contractual basis	(923,934)	6,580	(74,861)	409,554	816,316	(233,655)	-

Gross expected cashflow maturity analysis – contractual (Audited)

31 December 2023	Carrying value	Gross nominal outflow	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities							
Deposits from customers	1,717,204	1,717,204	1,548,521	48,737	97,650	22,296	-
Derivatives	1,674	1,674	3	-	85	1,586	-
Other liabilities	16,294	16,294	16,294	-	-	-	-
Total recognised liabilities	1,735,172	1,735,172	1,564,818	48,737	97,735	23,882	-
Unrecognised loan commitments	97,410	97,410	97,410	-	-	-	-
Total	1,832,582	1,832,582	1,662,228	48,737	97,735	23,882	-

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31 December 2023	Repayable on demand	3 months or less but not repayable on demand	1 year or less but over 3 months	5 years or less but over 1 year	Over 5 years	Non-cash items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and balances at central banks	476,613	-	-	-	-	-	476,613
Loans and advances to banks	1,799	-	-	-	-	-	1,799
Loans and advances to customers	-	12,032	11,743	355,542	634,329	-	1,013,646
Investment securities	-	159,317	88,099	-	-	-	247,416
Other assets	-	-	-	-	-	6,334	6,334
Total assets	478,412	171,349	99,842	355,542	634,329	6,334	1,745,808
Liabilities							
Customer deposits	1,463,804	44,143	42,695	8,667	-	-	1,559,309
Other liabilities	-	-	-	-	-	13,882	13,882
Total equity	-	-	-	-	-	172,617	172,617
Total liabilities and equity	1,463,804	44,143	42,695	8,667	-	186,499	1,745,808
Net liquidity gap on contractual basis	(985,392)	127,206	57,147	346,875	634,329	(180,165)	-

31 December 2023	Carrying value	Gross nominal outflow	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Liabilities							
Deposits from customers	1,559,309	1,559,309	1,463,804	44,143	42,695	8,667	-
Other liabilities	13,882	13,882	13,882	-	-	-	-
Total recognised liabilities	1,573,191	1,573,191	1,477,686	44,143	42,695	8,667	-
Unrecognised loan commitments	80,227	80,227	80,227	-	-	-	-
Total	1,653,418	1,653,418	1,557,913	44,143	42,695	8,667	-

Capital risk

The Bank's policy is to maintain adequate capital so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Bank has complied with all externally imposed capital requirements throughout the period.

Regulatory capital

Regulatory capital stood at £222.7m (2023: £172.9m). CET 1 stood at 24.1% (2023: 19.7%) significantly in excess of the minimum (including regulatory buffers) required by the Prudential Regulation Authority of 15.2%.

Regulatory capital analysis		2024	2023
		£'000	£'000
Tier 1			
Share capital		**24,825**	24,792
Share premium account		**18,263**	18,205
Reserves:	Capital redemption reserve	**4,511**	4,511
	Retained earnings	**176,336**	128,221
	Financial asset revaluation reserve	**(617)**	(3,041)
	ESOP reserve	**(60)**	(79)
	Cash flow hedge reserve	**(1,141)**	-
Common Equity Tier 1 (CET1) capital before adjustments		**222,117**	172,609

	2024	2023
Adjustments to CET1		
Other intangible assets	**-**	(6)
Prudent additional valuation adjustment	**(313)**	(247)
Cash flow hedge reserve	**1,141**	-
Net pension asset	**(842)**	(1,756)
IFRS 9 transitional adjustment	**637**	2,297
CET1 and Total Tier 1 capital resources	**222,740**	172,897
Tier 2 Adjustment for collective provisions	**-**	-
Total Tier 2 Adjustments	**-**	-
Total regulatory capital	**222,740**	172,897
Common Equity Tier 1 ratio	**24.1%**	19.7%

Independent auditor's report to the members of Unity Trust Bank plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Unity Trust Bank plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Equity;
- the Statement of Cash Flows;
- the related notes 1 to 28; and
- the information identified as "audited" within the risk management report.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition – effective interest rate ("EIR") accounting; and • Allowance for losses on loans and advances to customers. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £2,237,000 which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team with involvement of specialists where appropriate.
Significant changes in our approach	Our key audit matter regarding allowance for losses on loans and advances to customers has been expanded to include the accuracy of collateral valuations due to the inherent complexity and significant level of management judgement involved in the process.

4. 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 company's ability to continue to adopt the going concern basis of accounting included:

- involving prudential regulation specialists to assess capital and liquidity requirements linked to the business model by evaluating management's regulatory documentation, stress testing and key regulatory ratios;
- challenging key assumptions used in the forecasts based on historic trends and future outlook, including the impact of the current macro-economic uncertainty, and assessing the amount of headroom and the impact of sensitivity analysis;
- testing the clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

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 company's ability to continue as a going concern for a period of at least twelve months from 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition – effective interest rate ("EIR") accounting

Key audit matter description	The company recognised interest income of £80.7m (2023: £69.3m) and an EIR creditor of £5.6m (2023: £6.2m) in relation to interest receivable on loans and advances to customers. We identified a key audit matter that revenue may be inappropriately recognised whether due to fraud or error. The company holds loans and advances to customers which meet the criteria of financial assets under IFRS 9. The recognition of interest income and directly attributable fees and costs on loans under IFRS 9 requires the use of an EIR method in which management makes various assumptions, including the behavioural life of each loan. There is therefore judgement involved in the determination of interest income under the EIR method. The key assumption in the EIR model is the derivation of the cash flow run-off profiles which determine the behavioural life of the loans and timing of the expected future cash flows. The company's accounting policies are detailed in note 1.2 to the financial statements, with note 4 quantifying interest income under the EIR method recognised during the year.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls that the company has in place to manage the risk of inappropriate behavioural life assumptions being applied in the EIR model. In conjunction with our IT specialists, we tested the general IT controls over the loan administration system and evaluated the manner in which data is extracted from these systems to determine interest income and the EIR creditor. We challenged the appropriateness of the behavioural lives adopted by management by reference to historical customer redemptions which informs the cash flow run-off profiles. We also tested the accuracy and completeness of a sample of the underlying data. Additionally, we challenged amendments made to the behavioural lives by management during the course of the year, based on the impact of product changes and recent customer redemption activity. Our evaluation also considered the potential influence of forward-looking factors on future redemption behaviour. As part of our wider assessment of the key audit matter we independently recalculated a sample of EIRs and tested the adjustment posted to recognise interest income over the behavioural life on a sample of loans. We involved our data analytics specialists to assist us in independently recalculating the EIR creditor in order to evaluate the accuracy of management's model. We also assessed the treatment of fees and charges arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the company's EIR model. We tested the inputs which are used to determine interest income by agreeing a sample of customer loans back to underlying source data.
Key observations	We concluded that the behavioural lives used within the company's revenue recognition process were reasonable and the EIR model to be working as intended. We determined the accounting for interest income and the EIR creditor to be appropriate and materially in line with the requirements of IFRS 9.

5.2. Allowance for losses on loans and advances to customers

Key audit matter description	The company held an impairment provision of £9.7m (2023: £9.7m) against loans and advances to customers of £1,023.5m (2023: £1,023.3m). We identified a key audit matter that the impairment provisions may be inappropriately recognised whether due to fraud or error. For financial assets held at amortised cost, IFRS 9 requires the carrying value to be assessed for impairment using unbiased forward-looking information. The measurement of expected credit losses is complex and involves a number of judgements and estimates relating to customer default rates, exposure at default, loss given default, assessing significant increases in credit risk and macro-economic scenario modelling. These assumptions are informed using historical behaviour and management's experience and judgement. They are also affected by management's consideration of the future economic environment. The most significant assumptions and judgements applied in the impairment model are: • the determination and application of staging criteria; • the appropriateness of macro-economic scenarios ("MES") and their weighting for the purposes of determining impairment provisions; and • the accuracy of collateral valuations. The company's accounting policies are detailed in note 1.2 to the financial statements while the significant judgements involved in the impairment provisioning process are outlined in note 2, with note 12 quantifying the impairment provisions at year-end.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls that the company has in place to manage the risk of inappropriate staging, MES assumptions or collateral valuations being used within the impairment provisioning model. In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the impairment provision. Where a significant increase in credit risk had been observed, and for customers that had been placed on a watchlist by management, we challenged the determination of staging criteria with reference to both quantitative and qualitative criteria including our knowledge of the industry, historical data and through comparing to peers. We also independently reviewed a sample of cases across all three IFRS 9 stages to assess whether we agreed with the staging conclusions reached by management. Additionally, we evaluated the remainder of the portfolio to identify whether there are any customers who may be experiencing signs of financial distress. We challenged the appropriateness of the MES methodology and assumptions, which included evaluating the sources used as the basis for deriving economic inputs, challenging management judgements applied in assessing how economic variables correlate to the company's default history, involving our credit risk specialists to evaluate management's methodology, and involving our internal economics specialists to independently challenge the economic assumptions adopted. We involved our valuation specialists to independently assess collateral valuations for a sample of stage 2 and stage 3 cases.

5.2. Allowance for losses on loans and advances to customers. (continued)

How the scope of our audit responded to the key audit matter	We also challenged the appropriateness of other assumptions used within the determination of impairment provisions such as probability of default, forced sale discount, time horizon to sale and commercial property price inflation. Procedures performed included comparing to peers, performing independent recalculations and evaluating data sourced by management from external third parties. We assessed the rationale for management overlays through our understanding of the company's loan book, the external environment and the current macro-economic uncertainty. In conjunction with our data analytics specialists, we independently recalculated the impairment provisions to determine the accuracy of management's model. We also tested the accuracy and completeness of the inputs which were used to determine the impairment provision back to underlying source data.
Key observations	We concluded that management's view on staging judgements, MES assumptions and collateral valuations was appropriate, with the overall provision level being acceptable. Overall, we found the impairment provisioning model to be working as intended and consider the impairment provision to be materially recorded in line with the requirements of IFRS 9.

6. Our application of materiality

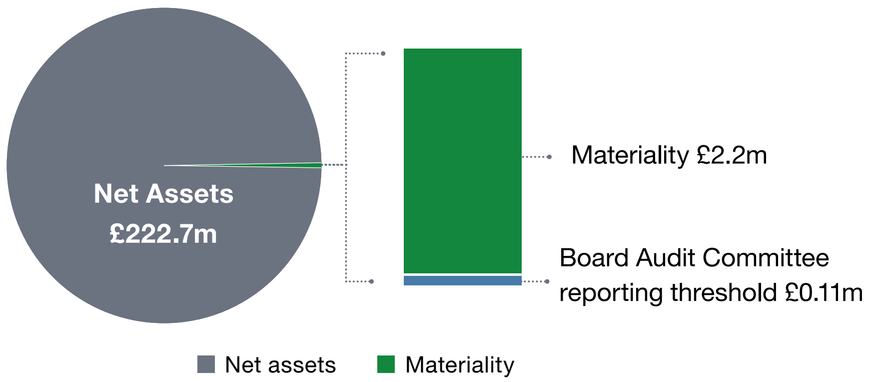
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced.

We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£2,237,000 (2023: £1,729,000)
Basis for determining materiality	1% of net assets (2023: 1% of net assets)
Rationale for the benchmark applied	Net assets is considered to be an appropriate basis for materiality for the company due to the importance of regulatory capital to its supervision as an authorised deposit-taker, the company's strategy being centred around maintaining a stable capital base, and net assets being considered a stable base.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 60% of materiality for the 2024 audit (2023: 60%). In determining performance materiality, we considered the following factors: the quality of the control environment, the results of our risk assessment procedures performed, and the level of corrected and uncorrected misstatements identified in the prior year audit.

6.3. Error reporting threshold

We agreed with the Board Audit Committee that we would report to the Committee all audit differences in excess of £111,850 (2023: £86,450), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company, its environment including entity-wide controls, and assessing the risks of material misstatement relevant for the company. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We identified key IT systems for the company in respect of the financial reporting system and lending and customer deposits system. We tested the general IT controls ('GITCs') associated with these systems and relied upon IT controls across the systems identified.

We were able to adopt a controls reliance approach across the lending and customer deposits cycles, with relevant automated and manual controls being tested across these cycles.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements. The company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 18-21.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with the company to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the company's financial statements as disclosed in note 2, as well as the impact on the company's going concern assessment as disclosed in note 1.

We performed our own risk assessment of the potential impact of climate change on the company's account balances and classes of transactions and did not identify any additional risks of material misstatement.

In conjunction with our ESG specialists, we evaluated the sustainability disclosures included in the strategic report and considered whether the information is materially consistent with the financial statements and/or knowledge obtained during the audit.

8. 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 our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. 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.

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

11. Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the Directors and the Board Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud, including the company's internal fraud risk assessment for the current financial period;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant specialists, including tax, valuations, economics, credit risk, prudential regulation, pensions, financial instruments, data analytics and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition - EIR accounting, and allowance for losses on loans and advances to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the requirements set by the Financial Conduct Authority and Prudential Regulatory Authority.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition – EIR accounting, and allowance for losses on loans and advances to customers as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Board Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority, Prudential Regulation Authority and HMRC as appropriate; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 24 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Board Audit Committee, we were appointed by the Board of Directors on 20 May 2019 to audit the financial statements for the year ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 December 2019 to 31 December 2024.

15.2. Consistency of the audit report with the additional report to the Board Audit Committee

Our audit opinion is consistent with the additional report to the Board Audit Committee we are required to provide in accordance with ISAs (UK).

16. 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.

Neil Reed

Neil Reed FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

5 March 2025

Income Statement

for the year ended 31 December 2024

All amounts are stated in £'000 unless otherwise indicated

	Notes	2024	2023
Interest receivable and similar income	4	**122,813**	102,947
Interest expense and similar charges	5	**(23,561)**	(13,762)
Net Interest Income		**99,252**	89,185
Fee and commission income		**4,205**	4,405
Fee and commission expense		**(1,360)**	(1,169)
Net fee and commission income		**2,845**	3,236
Total income		**102,097**	92,421
Operating expenses	6	**(33,314)**	(25,011)
Losses on financial instruments held at fair value	7	**(2,015)**	-
Impairment charge	12	**(1,017)**	(3,548)
Profit before taxation	3	**65,751**	63,862
Taxation charge	9	**(15,275)**	(15,004)
Profit for the year attributable to shareholders		**50,476**	48,858

The accounting policies and notes on pages 80 to 119 form part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2024

All amounts are stated in £'000 unless otherwise indicated

	Notes	2024	2023
Profit for the year - equity shareholders		**50,476**	48,858
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss			
Movement in cash flow hedge reserve:			
Losses taken to reserves		**(1,521)**	-
Taxation		**380**	-
Movement in financial asset revaluation reserve (investment securities)			
Valuation gains taken to equity[1]	13	**3,232**	2,672
Taxation		**(808)**	(582)
Items that will not subsequently be reclassified to profit or loss			
Actuarial losses on defined benefit obligations	20	**(1,047)**	(1,311)
Taxation		**258**	335
Other comprehensive income for the year, net of tax		**494**	1,114
Total comprehensive income for the year - equity shareholders		**50,970**	49,972
Attributable to:			
Equity shareholders		**50,970**	49,972
Dividend paid in the year		**(1,734)**	(1,361)
		49,236	48,612

The accounting policies and notes on pages 80 to 119 form part of these financial statements

[1]Net changes in the fair value of investment securities held by the Bank at year end are recognised within equity.

Statement of Financial Position

for the year ended 31 December 2024

All amounts are stated in £'000 unless otherwise indicated

	Notes	2024	2023
Assets			
Cash and balances with the Bank of England	10	**621,898**	476,613
Investment securities	13	**314,130**	247,416
Loans and advances to banks	10	**2,689**	1,799
Loans and advances to customers	12	**1,013,816**	1,013,646
Right of use assets	16	**1,025**	1,307
Pension scheme net assets	20	**1,122**	2,341
Other assets		**56**	109
Prepayments and accrued income		**1,448**	1,535
Deferred tax assets	19	**235**	451
Property, plant and equipment	15	**870**	585
Intangible assets	14	**-**	6
Total assets		**1,957,289**	1,745,808
Liabilities			
Customer deposits		1,717,204	1,559,309
Derivative financial instruments	11	**1,674**	-
Other liabilities	17	3,404	3,858
Accruals and deferred income		2,814	1,830
Provisions for liabilities and charges	18	1,992	670
Current tax liabilities	9	8,084	7,524
Total liabilities		1,735,172	1,573,191

	Notes	2024	2023
Capital and reserves attributable to the Bank's equity shareholders			
Ordinary share capital	21	**24,825**	24,792
Share premium account	21	**18,263**	18,205
Capital redemption reserve		**4,511**	4,511
Retained earnings		**176,336**	128,229
Financial asset valuation reserve		**(617)**	(3,041)
Cash flow hedge reserve	11	**(1,141)**	-
Employee share ownership plan ('ESOP') reserve	27	**(60)**	(79)
Total equity		**222,117**	172,617
Total liabilities and equity		1,957,289	1,745,808

The accounting policies and notes on pages 80 to 119 form part of these financial statements.

Approved by the Board on 5 March 2025
and signed on its behalf by:

Colin Fyfe,
Chief Executive Officer

Alan Hughes,
Chairman

Statement of Changes in Equity

for the year ended 31 December 2024

All amounts are stated in £'000 unless otherwise indicated

2024	Share capital	Share premium	Capital redemption reserve	FVTOCI[2]	Retained earnings	Cash flow hedge reserve	ESOP reserve	Total equity
At 1 January 2024	24,792	18,205	4,511	(3,041)	128,229	-	(79)	172,617
Profit for the financial year	-	-	-	-	50,476	-	-	50,476
Issue of share capital – Share Incentive Plan (note 21)	33	58	-	-	-	-	(23)	68
Adjustment for equity-settled share-based payments (note 26)	-	-	-	-	154	-	42	196
Actuarial loss on Defined Benefit pension (note 20)	-	-	-	-	(1,047)	-	-	(1,047)
Fair value on cash flow hedges	-	-	-	-	-	(1,521)	-	(1,521)
Deferred Tax movements (note 9)	-	-	-	(808)	258	380	-	(170)
Net movement in Fair value through other comprehensive income (note 13)	-	-	-	3,232	-	-	-	3,232
Total	33	58	-	2,424	49,841	(1,141)	19	51,234
Dividend paid[1]	-	-	-	-	(1,734)	-	-	(1,734)
At 31 December 2024	24,825	18,263	4,511	(617)	176,336	(1,141)	(60)	222,117

2023	Share capital	Share premium	Capital redemption reserve	FVTOCI[2]	Retained earnings	Cash flow hedge reserve	ESOP reserve	Total equity
At 1 January 2023	24,730	18,150	4,511	(5,131)	81,615	-	(60)	123,815
Profit for the financial year	-	-	-	-	48,858	-	-	48,858
Issue of share capital – Share Incentive Plan (note 21)	62	55	-	-	-	-	(49)	68
Adjustment for equity-settled share-based payments (note 26)	-	-	-	-	93	-	30	123
Actuarial loss on Defined Benefit pension (note 20)	-	-	-	-	(1,311)	-	-	(1,311)
Deferred Tax movements (note 9)	-	-	-	(582)	335	-	-	(247)
Net movement in Fair value through other comprehensive income (note 13)	-	-	-	2,672	-	-	-	2,672
Total	62	55	-	2,090	47,975	-	(19)	50,163
Dividend paid[1]	-	-	-	-	(1,361)	-	-	(1,361)
At 31 December 2023	24,792	18,205	4,511	(3,041)	128,229	-	(79)	172,617

[1]Dividend paid in 2024 in respect of the 2023 financial year at 7.00p per share (paid in 2023 respect of the 2022 financial year at 5.50p per share).

[2]'FVTOCI' is Fair Value through Other Comprehensive Income shown as 'Financial asset valuation reserve' in the Statement of Financial Position.

The accounting policies and notes on pages 80 to 119 form part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2024

All amounts are stated in £'000 unless otherwise indicated

	Notes	2024	2023
Profit before taxation		**65,751**	63,862
Adjustments for:			
Finance costs		**73**	85
Impairment losses, net of reversals, on financial assets		**1,017**	3,548
Non-cash movements in relation to investment securities		**(10,770)**	(8,428)
Depreciation of property, plant and equipment		**280**	283
Depreciation of right-of-use assets		**266**	250
Amortisation of intangible assets		**6**	16
Loss on disposal of property, plant and equipment		**-**	3
Increase in provisions		**1,441**	567
Fair value loss on derivatives		**153**	-
Share-based payment expense		**174**	-
Pension administration expense		**172**	-
		58,563	60,186
Operating cash flows before movements in working capital			
(Decrease)/Increase in prepayments and accrued income		**87**	(386)
Decrease in other operating assets		**69**	155
Increase in advances to customers		**(1,187)**	(180,618)
Decrease in Bank of England mandatory reserve	10	**3,448**	310
Increase in accruals and deferred income		**984**	337
Increase in customer deposits		**157,895**	20,652
(Decrease)/Increase in other operating liabilities		**(361)**	527
Cash used in operations		**219,498**	(98,837)
Income tax paid		**(14,668)**	(8,698)
Net cash generated from/(used in) operating activities		**204,830**	(107,535)

	Notes	2024	2023
Investing activities			
Purchase of property, plant and equipment		**(565)**	(218)
Purchase of investment securities		**(159,028)**	(96,260)
Proceeds from sale and redemption of investment securities		**106,314**	116,948
Net cash (used in)/generated from investing activities		**(53,279)**	20,470
Financing activities			
Dividends paid		**(1,734)**	(1,361)
Repayment of lease liabilities		**(285)**	(468)
Proceeds on issue of share capital, net of transaction costs		**91**	-
Net cash used in financing activities		**(1,928)**	(1,829)
Net increase/(decrease) in cash and cash equivalents		**149,623**	(88,894)
Cash and cash equivalents at beginning of year		**474,964**	563,858
Cash and cash equivalents at end of year		**624,587**	474,964
Cash and balances with the Bank of England	10	**621,898**	473,165
Loans and advances to banks		**2,689**	1,799
		624,587	474,964

The accounting policies and notes on pages 80 to 119 form part of these financial statements.

Notes to the Financial Statements

All amounts are stated in £'000 unless otherwise indicated

1 Basis of preparation and significant accounting policies

The Bank's 2024 report and accounts have been prepared and approved by the Directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted by the UK. All amounts are stated in £'000 unless otherwise indicated.

The financial information has been prepared under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value.

Unity Trust Bank plc does not have an ultimate parent company. The Bank formed and commenced operating a subsidiary company, Unity EBT Limited on 2 January 2013. The Bank holds 100% of the issued share capital of Unity EBT Limited comprising one, £1 ordinary share. Unity EBT Limited is the trustee of the Employee Share Ownership Plan (closed plan) and the Share Incentive Plan (SIP, for which own shares held are reflected in the Statement of Financial Position within the 'ESOP' reserve). Unity EBT Limited is registered in England and Wales and has the same registered address as the Bank. See note 26 for further details of share-based payments. The results and position of this subsidiary and those of Unity Trust Bank plc have not been presented on an IFRS 10 consolidated basis, on the grounds of materiality under Companies Act 2006, s405 (2). An election has been made to present the combined results and position on an extended entity basis. Under the extended entity basis, the results and position of Unity Trust Bank plc and Unity EBT Limited are combined in an equivalent way to a consolidation with any intercompany balances eliminated. References to 'the Bank' reflect combined results and position on an extended entity basis, unless otherwise stated.

Going Concern

The report and accounts have been prepared on the going concern basis. Accounting standards require the Directors to assess the Bank's ability to continue to adopt the going concern basis of accounting.

In performing this assessment, the Directors consider all available information about the future, the possible outcomes of events and changes in conditions and the realistically possible responses to such events and conditions that would be available to them, having regard to the 'Guidance on the Going Concern Basis Accounting and Reporting on Solvency and Liquidity Risks' published by the Financial Reporting Council in April 2016.

In order to assess the appropriateness of the going concern basis the Directors considered the Bank's financial position, the cash flow requirements laid out in its forecasts, its access to funding, the assumptions underlying the forecasts and the potential risks affecting them, including those arising from emerging issues arising from a higher interest and inflation environment, and climate change. Scenario planning considers impacts to interest income and loan impairment, due to deterioration in the wider economy. A range of different plausible scenarios have been modelled, considering possible mitigating management actions, in addition to capital and liquidity stress and reverse stress testing.

After performing this assessment, the Directors have a reasonable expectation that the Bank has adequate resources to remain in operation for at least 12 months from the signing date of the Report and Accounts. They therefore consider it appropriate to continue to adopt the going concern basis in preparing the Report and Accounts.

Changes in accounting policies

1.1 Revised IFRS Standards that are effective for the current year

The IFRS standards that are effective for the current year do not have a material impact on the Bank.

1.2 New IFRS Standards and annual improvements in issue but not yet effective

The standards and amendments in issue but not yet effective relevant to the Bank are listed below. Each will be adopted on their effective date. The Directors do not expect that their adoption will have any / a material impact on the financial statements of Unity in future periods, unless specified below:

IFRS 18 — Presentation and Disclosure in Financial Statements

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. The standard will require defined subtotals in the statement of profit or loss, disclosure about management-defined performance measures; and will add new principles for aggregation and disaggregation of information. It is applied retrospectively for annual periods beginning on or after 1 January 2027, with early application permitted.

Annual improvements to IFRS standards

The annual improvements relevant to Unity include amendments to IFRS 1, IFRS 7, and IFRS 9. The amendments are effective for annual reporting periods beginning on or after 1 January 2026.

The Bank will apply the above standards and interpretations on the date they become effective.

1.2 Material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Interest income and expense

Interest income and expense are recognised for all financial instruments measured at amortised cost or FVTOCI using the Effective Interest Rate Method (EIRM). The EIRM calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The Effective Interest Rate 'EIR' is the rate that exactly discounts estimated future cash flows to the net carrying amount, over the shorter of the contractual or behavioural life of the financial instrument.

When calculating the EIR, the Bank takes into account the behavioural life of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

(b) Fees and commissions

Fee and commission income is predominantly made up of fees received for banking services and do not meet the criteria for inclusion in the EIRM. These fees are recognised in income on an accruals basis as services are provided. Fees and commissions payable to brokers in respect of obtaining lending business, where these are direct and incremental costs related to the issue of a loan, are included in interest income as part of the EIR.

Directly attributable fees and costs are recognised on an EIR basis, and these are deemed to be arrangement and introducer fees only.

(c) Classification and measurement of financial assets and liabilities

Classification is dependent on two tests, a contractual cash flow test (named SPPI: Solely Payments of Principal and Interest) and a business model assessment. If the cash flows from the instrument are only principal and interest, then the business model assessment determines whether the instrument is classified as amortised cost or FVTOCI:

- If the instrument is being held to collect contractual cash flows, it is measured at amortised cost.
- If the intention for the instrument is to both collect contractual cash flows and potentially sell the asset, it is reported at FVTOCI.

FVTOCI assets are measured at fair value based on quoted market prices or prices obtained from market intermediaries. Unrealised gains and losses arising from changes in fair value are recognised directly in other comprehensive income, except for impairment, which is recognised in the Income Statement. Gains and losses arising on the sale of FVTOCI assets, including any cumulative gains or losses previously recognised in other comprehensive income, are reclassified to the Income Statement.

If the cashflows from the instrument are not solely principal and interest (for example, linked to inflation) or the instruments are held for trading purposes, the asset is reported at FVTPL with differences in fair value being recognised in profit or loss. Assets are only reclassified if the business model for holding those assets changes. There are no instances of this in the year.

Investment securities are classified as FVTOCI, as the business model objective is both to collect contractual cash flows and sell financial assets for liquidity reasons or periodic asset realisation.

1 Basis of preparation and significant accounting policies (continued)

Loans and advances to customers and customer deposits are both classified as held at amortised cost, as the business model intention is to collect contractual cash flows. Assets are recognised when the funds are advanced, and liabilities recognised when funds are received from customers. The carrying value of these financial instruments at initial recognition includes any directly attributable transactions costs.

(d) Impairment of financial assets and loan commitments

The Bank assesses, on a forward-looking basis, the ECL associated with its financial assets carried at amortised cost and FVTOCI and that associated with the exposure arising from pipeline loan commitments. Changes in impairment provision are reported in profit and loss.

ECLs are calculated based on information relating to:

1. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
2. The time value of money; and
3. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When an asset is originated, the ECL is measured as the present value of credit losses from default events over its lifetime. The provision recognised is either the amount expected over the next 12 months (the lifetime cash shortfalls that would be expected to occur if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring), or the amount expected over its lifetime. The standard requires the Bank to identify assets that have been subject to a SICR since initial recognition. The Bank's approach to staging criteria is based around a well-established process through assessment of credit risk at inception of each loan, and through periodic review. Movements in risk grade provide the basis for the assessment of SICR on a loan-by-loan basis. The credit quality of all counterparties is reviewed and rated at least annually. In addition, the Bank's focus on relationship management, receipt of management information, monitoring of financial covenants and loan degradation reporting, supports the identification of early warning signs and the risk gradings allocated. The Bank has allocated the assets to the following three stages, aligning to internal credit risk management processes:

- Stage 1 – Loans and commitments with a risk grade of 1 to 5 on the internal scorecard are assumed not to have seen a SICR since initial recognition. Loans which meet certain criteria are subject to a quarterly management review as a backstop to assess the appropriateness of this assumption. The loss allowance applied to these assets is equal to 12 months ECL. PDs are calculated with reference to internal and external data. Investment securities are also allocated to this stage due to their credit quality.
- Stage 2 – These are loans with a risk grade of 6 or 7, or loans that deteriorate by more than 3 risk grades, demonstrating that certain early warning indicators have been evidenced. It is considered that these assets have experienced a SICR. The stage 2 assessment is also supported by an objective 'back stop' measure of arrears, being 30 days past due. The loss allowance applied to these assets is equal to the loan's lifetime ECL.
- Stage 3 – These are loans with a risk grade of 8 or 9 and are in default or realisation and considered to be credit impaired (i.e. events which cause a negative impact on estimated future cashflows have arisen). The loss allowance for these assets is equal to the loan's lifetime ECL. This is also supported by an objective 'back stop' measure of arrears, being 90 days past due.

'Expected loss' is estimated considering a broad range of information, including:

- Past events, such as experience of historical losses for similar financial instruments;
- Current conditions; and
- Reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the financial instrument.

Default

Default is considered to have occurred when at least one of the following events have taken place: where the Bank considers that the borrower is unlikely to repay its credit obligations without recourse by the Bank to actions such as realising security (if held); the borrower is past due more than 90 days on any material credit obligation; a borrower is classed as forborne and non-performing; or the customer enters bankruptcy, administration, liquidation etc.

Probability of default

12-month PD% estimates defaults arising over the next 12 months. These PDs are applied to Stage 1, Risk Grade (RG) 1-5. This has been calculated by considering, for all historic defaults, the risk grade of the loan 12 months prior to the date of default, as a proportion of total loans in that risk grade. In addition, external 12-month PD data has been obtained for a proportion of customers across each risk grade. The final PD percentages are informed by a combination of both internal and external data and expert judgement.

Lifetime PD% estimates defaults over the life of the loan. For all historic defaults, the RG at initial recognition has been identified. This is transformed into a lifetime PD% through a survival rate analysis across all grades and applied for the ECL calculation to accounts in RG 6 and 7 (Stage 2). PDs for Stage 3 remain at 100% as these loans are considered to be in default.

Loss given default ('LGD')

LGD is determined by considering the value of the trading business and security for all drawn and committed loan balances. This is adjusted for historical and forward-looking indexation, forced sale discounts ('FSD') and time value of money.

Exposure at default ('EAD')

EAD reflects the attrition profile over the remaining behavioural life of the loan. This is based on expected exposure profile accounting for interest and payments. This is adjusted for undrawn loan commitments and the time value of money. Exposure for accounts in stage 3 is the carrying amount on reporting date.

Curing

If the credit risk reduces, after a curing period of a minimum of six months, the loan can move from stage 3 to 2 or stage 2 to 1. In the instance where a loan is deemed to have decreased by more than 3 risk grades from initial recognition (see above for SICR), the curing period is a minimum of 12 months, before the loan can move back to stage 1, and the allowance can be reduced from lifetime to the 12 month ECL.

Write off

The Bank writes off financial assets when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Assets are derecognised when the contractual cash flows expire. If terms and conditions of loan contracts are substantially modified, the Bank considers whether this results in derecognition of the existing loan and recognition of a new loan. If the changes are not deemed to be substantial, then the current financial asset is retained and assessed for modification gains or losses.

Investment securities are considered to have low credit risk at both the origination and reporting dates; therefore, these assets are allocated to stage 1 with an impairment allowance equal to 12-month ECL. External investment grades of the assets are regularly monitored.

(e) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured monthly at their fair value. Derivative financial instruments are stated at fair value using valuation techniques such as discounted cash flow models. The need for credit valuation adjustments is considered in the determination of the fair value of derivatives. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The derivatives are subject to ISDA Master Netting Agreements with the counterparties, which create a legally enforceable right of offset that comes into effect only on specific events, e.g., in the case of a default of any party. As the agreements are not "unconditional", the derivative assets and derivative liabilities cannot be netted on the Statement of Financial Position for accounting purposes.

All derivatives are entered into by the Bank for the purpose of providing an economic hedge, and when transactions meet the required criteria for documentation and hedge effectiveness, the Bank applies fair value hedge accounting or cash flow hedge accounting, as appropriate to the risks being hedged.

If derivatives are not designated in an accounting hedge, then changes in fair values are recognised immediately in the Income Statement.

1 Basis of preparation and significant accounting policies (continued)

Where cash collateral is received, to mitigate the risk inherent in amounts due to the Bank, it is included as a liability within Amounts owed to banks. Similarly, where cash collateral is given, to mitigate the risk inherent in amounts due from the Bank, it is included as an asset in Loans and advances to banks.

The Bank applies the requirements of IAS 39 Financial Instruments: Recognition and Measurement for hedge accounting purposes.

Macro cash flow hedge

The Bank introduced macro cash flow hedge accounting during 2024. Pay floating/receive fixed interest rate swaps are designated in a dynamic hedge accounting relationship with floating rate loans, with the purpose of mitigating a degree of earnings volatility.

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. This recycling occurs when the underlying asset or liability being hedged impacts the Income Statement, for example when interest payments are recognised. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the Income Statement immediately. Gains and losses on a hedging instrument in equity are moved to the Income Statement when the related hedged item's gains and losses are recognised there. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the Income Statement.

The Bank did not undertake cash flow hedge accounting during the prior year.

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less any accumulated depreciation or impairment. Depreciation is provided on a straight-line basis at the following rates, which are estimated to write down the assets to realisable values at the end of their useful lives.

Equipment and fittings 10% per annum

Computer equipment 33% per annum

All items of property, plant and equipment are regularly reviewed for indications of impairment. Any impairment identified would be charged to the Income Statement. Consultancy costs incurred in acquiring and developing software for internal use which is directly attributable to the functioning of computer hardware are capitalised as tangible fixed assets where software supports a significant business system, and the expenditure leads to the creation of an identifiable durable asset. Capital work in progress is not depreciated until the asset is available for use; i.e. it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

(g) Intangible assets

Costs directly associated with the development of identifiable and unique software products that will generate benefits exceeding costs beyond one year, are recognised as intangible assets. Software licenses grant a right of use for the Bank. In accordance with IAS 38 the development and acquisition cost for software licences are treated as an intangible asset separate from the tangible asset (computer) on which it is installed. Costs which are determined as a Software as a Service are not capitalised.

Amortisation is provided on a straight-line basis at the following rates, which is estimated to write down the assets to realisable values at the end of their useful lives.

Computer software 33% per annum

Amortisation is recognised within operating expenses in the Income Statement. The banking system is regularly reviewed for indications of impairment. Any impairment identified would be charged to profit and loss.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, balances with the Bank of England and balances with an original maturity of three months or less, which are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

(i) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank has a tax conduct statement which is available on the website **www.unity.co.uk/financial-profile**

(j) Pension costs

The Bank operates a defined benefit pension scheme and a defined contribution scheme for employees. Contributions to the defined contribution pension scheme are recognised as an expense in the Income Statement as incurred, on an accruals basis.

From initial recognition, the Bank's net obligation under the defined benefit pension scheme is assessed annually by an independent qualified actuary. The net obligation is calculated as the difference between the fair value of the scheme's assets and the amount of future entitlements earned by scheme members from service in prior periods, discounted back to present values using a rate based on an index of long-dated AA rated corporate bonds. This calculation allows the net obligation of the scheme to be expressed as either a surplus or deficit, which is recognised as either an asset or a liability respectively in the Bank's accounts at the balance sheet date. Gains or losses arising from the remeasurement of the defined benefit plan are recognised in full, in the year they occur, in the Statement of Comprehensive Income.

A surplus is recognised in conjunction with IAS 19 and IFRIC 14, allowing for the surplus to be recognised as an unrestricted asset on the Statement of Financial Position, where there is an unconditional right to a refund of the surplus in defined circumstances and there are expected to be surplus assets. This unconditional right can arise in any of the following defined circumstances:

a. during the life of the pension scheme; or
b. assuming the gradual settlement of scheme liabilities over time until all members have left the scheme; or
c. assuming the full settlement of the scheme liabilities in a single event.

(k) Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(l) Provisions

A provision is recognised in the Statement of Financial Position if the Bank has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Deferred income

Customer loan arrangement fees which are received from customers in advance are recognised as deferred income until the customer loan is drawn down and then carried as part of the loan balance.

(n) Share premium

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. Expenses and commissions paid on the issue of shares are written off against the share premium of the same issue.

(o) Capital redemption reserve

When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity. The nominal value of shares repurchased is transferred to the capital redemption reserve in equity.

All amounts are stated in £'000 unless otherwise indicated

1 Basis of preparation and significant accounting policies (continued)

(p) Leases

As a lessee, the Bank recognises a right-of-use asset representing the right to use the underlying asset and a lease liability representing the obligation to make lease payments.

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

Unity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Unity did not make any such adjustments during the periods presented.

Right of use assets

These comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. IAS 36 is applied to determine whether an asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses a lease specific incremental borrowing rate.

If a lease has service/maintenance costs as part of the lease payment, and it is not practicable to separate, these costs are treated as one single payment for the calculation of the present value of the lease obligation. For the premises lease, the service charge is easily identifiable and therefore not included within the lease liability and will be recognised on an accruals basis within operating expenses.

The incremental borrowing rate applied to each lease is determined by taking into account the risk-free rate, adjusted for factors linked to the life of the underlying lease agreement. The weighted average incremental borrowing rate applied by Unity was 5.00% (2023: 5.00%).

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- fixed service costs associated where applicable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease if the lease term reflects the right to terminate the lease.

(q) Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of the number of equity instruments that will eventually vest. At each reporting date, the Bank revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

2 Judgements in applying accounting policies and critical accounting estimates

The Bank makes judgements in applying its accounting policies which affect the amounts recognised in these financial statements. Estimates and assumptions are also made that could affect the reported amounts of assets, liabilities, income and expenses. These are continually assessed and reviewed and are based on historical experience and reasonable expectations of future events. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. The critical judgements and estimates which have a significant impact on the financial statements of the Bank are listed below:

(a) Significant accounting estimates and assumptions

IFRS 9 Impairment - The determination of macroeconomic scenarios and their weightings:

IFRS 9 requires ECL to be measured in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and incorporating relevant forward-looking information. Management exercises judgement in estimating the interaction between changes in key economic variables and customer defaults. Having determined underlying correlations, judgement is applied in estimating the future economic conditions which are incorporated in the modelling of multiple macro-economic scenarios ('MES').

The estimation of future economic conditions incorporate analysis from reputable third party sources. The provision recognised is the probability-weighted sum of the provisions calculated under a range of four different scenarios. The MES are derived using external data and span an appropriately wide range of plausible economic conditions, with the provision increasing in unfavourable conditions. Management judgement is applied to determine the associated probability weightings of the scenarios, informed by external data.

The Bank uses four scenarios, representative of management's view of forecast economic conditions to 2026. The macro-economic scenarios used were internally developed, having regard to externally published scenarios. The scenarios and weightings applied are summarised below:

2024	Weights	Unemployment				GDP				Bank Rate				Inflation			
		Dec-25	Dec-26	Dec-27	5-Yr Ave	Dec-25	Dec-26	Dec-27	5-Yr Ave	Dec-25	Dec-26	Dec-27	5-Yr Ave	Dec-25	Dec-26	Dec-27	5-Yr Ave
Base	**50**	4.40	4.31	4.18	4.19	1.43	1.66	1.76	1.64	3.85	3.09	2.59	2.91	2.98	2.35	2.15	2.34
Down 1	**10**	5.15	5.98	6.71	6.20	(2.25)	0.38	1.37	0.58	3.00	1.75	1.75	2.00	1.87	1.02	1.66	1.67
Down 2	**15**	5.37	6.43	7.18	6.59	(4.20)	(0.47)	1.03	(0.05)	2.38	1.00	1.00	1.28	1.28	0.48	1.36	1.36
Upside	**25**	3.97	3.65	3.62	3.70	3.91	3.14	2.54	2.62	5.38	4.38	3.38	3.83	3.81	3.39	2.60	2.81

5-year average covers period between 2025 and 2029.

2023	Weights	Unemployment				GDP				Bank Rate				Inflation			
		Dec-24	Dec-25	Dec-26	5-Yr Ave	Dec-24	Dec-25	Dec-26	5-Yr Ave	Dec-24	Dec-25	Dec-26	5-Yr Ave	Dec-24	Dec-25	Dec-26	5-Yr Ave
Base	50	4.50	4.37	4.06	4.14	0.47	1.47	1.85	1.34	4.85	3.85	2.84	3.11	3.20	1.61	1.65	2.01
Down 1	10	5.42	6.47	7.08	6.52	(3.14)	0.16	1.44	0.28	3.88	2.63	1.63	2.23	2.01	0.24	1.22	1.38
Down 2	10	5.59	6.81	7.45	6.83	(5.05)	(0.70)	1.10	(0.35)	3.38	1.88	0.88	1.53	1.42	(0.42)	1.06	1.10
Upside	30	4.23	3.93	3.79	3.88	2.97	2.92	2.62	2.31	5.75	5.13	4.13	4.13	3.96	2.72	2.01	2.45

5-year average covers period between 2024 and 2028.

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

2 Judgements in applying accounting policies and critical accounting estimates (continued)

During the period, the weightings for each scenario were reviewed and updated from those applied at 2023 year end. The potential for significant downside impacts from geopolitical factors, including conflicts in Eastern Europe and the Middle East, remains.

The emerging policies of the new UK Government and the second term of the current US president are both likely to impact economic sentiment, to the extent of producing substantially different outcomes. Considering these factors, the Bank moved 5% from the Upside scenario to the Severe Downside scenario.

Scenario	Derivation	2024 Weighting	2023 Weighting
Base	Represents the most likely economic forecast and aligned with the scenario used in the Bank's financial planning process. UK GDP growth forecast to 1.4% in 2025 and 1.7% in 2026, forecasts the unemployment rate to peak at 4.4% and remain at that level until mid-2025. Recovery is expected towards a long-run level of 4% by 2029. The BoE is expected to implement 100bps of rate cuts next year, leaving Bank Rate at 3.75% at end-2025.	**50%**	50%
Downside 1	The severe downside scenario sees a sharp and immediate drop in UK output and GDP does not recover until mid-2026 as financial stress remains elevated. Thereafter, the economy grows at a much slower pace resulting in a permanent loss of output as the supply side remains impaired. Unemployment in the UK climbs to 5.8% by end-2025 and peaks at 7.3% in end-2027. The MPC aggressively cuts Bank Rate, to a low of 1% by Q3 2026, as the impairment to the supply side and labour market remains considerable.	**10%**	10%
Downside 2	The severe downside scenario sees a sharp and immediate drop in UK output and GDP does not recover over the following 12 months as financial stress remains elevated. Unemployment surges to 6.8% by end-2024 and peaks at 7.5% in 2026. The MPC abandons its tight monetary policy stance in short order, and begins to aggressively cut Bank Rate again, to 0.88 by end-2026, as the impairment to the supply side and labour market remains considerable.	**15%**	10%
Upside	The UK economy accelerates, recording growth of 3.9% in 2025 and 3.1% in 2026. The labour market tightens, and the unemployment rate falls to its recent decade-low of 3.6% by the end of 2026. Inflation also resurfaces in the scenario and in response, the BoE changes directions and begins to tighten its monetary policy again, upending the easing cycle that started in August 2024. Bank Rate rises back to its previous peak of 5.5% by Q1 2025.	**25%**	30%

The ECL provision has the greatest sensitivity to the economic scenario weightings. Movements to individual parameters in isolation are improbable as they are interrelated. Sustained movement in parameters would be reflected within economic conditions, as discussed above. As at 31 December 2024, the customer loan provision is £9,682k, applying 100% weighting to Base results in a provision of £7,751k; applying 100% weighting to Downside 1 scenario leads to a £14,807k provision; applying 100% weighting to Downside 2 scenario leads to a £20,129k provision; and applying 100% weighting to Upside scenario leads to a £5,227k provision.

As set out in the strategic report on pages 8 to 21, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Bank has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Bank does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium term.

Pensions – The estimation of the IAS 19 valuation

The approach to estimating the IAS 19 valuation is set out in note 20, together with related sensitivities.

(b) Critical judgements

IFRS 9 Impairment – The transition criteria from stage 1 to stage 2

The judgements applied in relation to stage 1 to 2 transition criteria are set out in note 1d.

Share based payments – Classification of the share based payments

Each of the Bank's share based schemes are treated as equity settled, see note 26 for details.

3 Profit before taxation

The remuneration of the Bank's auditor is as follows:

	2024	2023
Audit services		
Fees payable for the audit of the annual accounts	**308**	229
Non-Audit services		
Fees payable for all other services – Review of the interim results	**47**	88
Total	**355**	317

Directors' emoluments for the year are set out with the Remuneration Report on page 30.

4 Interest receivable and similar income

	2024	2023
On financial assets at amortised cost:		
on loans and advances to customers	**80,743**	69,344
on loans and advances to banks	**31,246**	24,822
	111,989	94,166
On financial assets at FVTOCI:		
on investment securities	**10,824**	8,781
Total interest receivable under the EIR method	**122,813**	102,947
Net interest on derivatives designated in a qualifying hedge accounting relationship	**-**	-
Total interest receivable and similar income	**122,813**	**102,947**

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

5 Interest expense and similar charges

	2024	2023
On financial liabilities measured at amortised cost:		
on customer deposits	**23,488**	13,677
On lease liabilities interest	**73**	85
Total	**23,561**	13,762

6 Operating expenses

	Note	2024	2023
Staff costs	8	**19,459**	15,315
Administrative expenses		**11,769**	8,543
Amortisation of intangible fixed assets	14	**6**	16
Depreciation of property, plant and equipment	15	**280**	283
Depreciation of right-of-use assets	16	**266**	250
Operating lease rentals		**124**	79
Research and development expenditure		**-**	45
Movement in provisions for liabilities and charges[1]	18	**1,410**	480
Total		**33,314**	25,011

[1]As per note 18, this balance represents the movement in provided / released amounts in relation to Multipay, customer claims, other legal and dilapidation provisions. The movement for the redundancy / severance provision is included within staff costs.

7 Losses on financial instruments held at fair value

	2024	2023
Loss on sale of investment securities	**(1,862)**	-
Expense from derivatives and hedge accounting	**(153)**	-
Total	**(2,015)**	-

8 Staff costs

	Note	2024	2023
Wages and salaries[1]		**14,875**	11,633
Severance		**67**	196
Social security costs		**1,812**	1,400
Pension costs – defined benefit plans	20	**172**	136
Pension costs – defined contribution plans		**1,274**	913
Profit sharing plan		**1,063**	915
Share based payments – equity settled	26	**196**	122
Total		**19,459**	15,315

[1] Included within wages and salaries is £286k (2023: £196k) for other benefits provided to employees, such as the Wellbeing Allowance.

There is only one category of employees of the Bank. Included below is the monthly average number of persons employed by the Bank and was made up as follows at the reporting date:

	2024	2023
Full time	**202**	162
Part time	**15**	15
Total[1]	**217**	177

[1]The monthly average Full Time Equivalent ('FTE') for 2024 was 213 (2023: 173).

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

9 Income tax

Tax Policy

The Bank adopted a tax policy on 27 February 2014, updated in December 2019.

A copy is available on our website at http://www.unity.co.uk/taxation. The disclosures made in these financial statements comply with commitments made in that tax policy. The Bank is a member of the Fair Tax Mark.

	2024	2023
Tax charge		
Current tax on profits for the year	**15,207**	14,891
Adjustment in respect of prior years	**21**	18
Total current tax	**15,228**	14,909
Deferred tax		
Current year	**43**	(24)
Adjustment in respect of previous periods	**4**	120
Effect of changes in tax rates	**-**	(1)
Total deferred tax	**47**	95
Tax per Income Statement	**15,275**	15,004

Other comprehensive income	2024	2023
Income items:		
Deferred tax current year charge	**154**	(247)
Deferred tax prior year charge	**16**	-
Tax per Statement of Comprehensive Income	**170**	(247)

Further information about deferred income tax is presented in note 19. The tax on the Bank's profit before taxation differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows:

Tax reconciliation

	2024	2023
Profit for the period	**65,751**	63,862
Tax on profit at standard UK tax rate of 25.00% (2023: 23.52%)	**16,438**	15,021
Adjustments to tax charge in respect of prior periods	**25**	139
Expenses not deductible for tax purposes	**15**	40
Tax rate changes	**-**	**(1)**
Community Investment Tax Relief	**(1,169)**	(921)
R&D expenditure	**-**	(10)
Share options	**(34)**	(17)
Banking surcharge	**-**	753
Total tax charge for the year	**15,275**	15,004

Cash paid reconciliation

	2024	2023
Opening corporation tax liability	**7,524**	1,313
Add: current corporation tax liability for the year	**15,207**	14,891
Prior year adjustment	**21**	18
Less: payments in the year	**(14,668)**	(8,698)
Closing corporation tax liability	**8,084**	7,524

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

9 Income tax (continued)

The standard rate of Corporation Tax in the UK charged is 25%. The company's profits for the accounting period are taxed at an effective rate of 23.32%.

The UK corporation tax rate of 25% was substantively enacted as part of Finance Bill 2021 on 24 May 2021 and effective from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Bank corporation tax surcharge is an additional tax on banking profits calculated on the same basis as corporation tax. It was introduced in 2016 at a rate of 8% on profits over £25 million, the banking surcharge rate was reduced from 8% to 3% in April 2023 and the allowance increased to £100m. In 2024 the Bank has profits below £100m, as such no banking surcharge has been applied.

The amount of corporation tax payable is lower than would be implied by the current headline tax rate as the Bank has benefitted from Community Investment Tax Relief ('CITR'). The CITR scheme encourages investment in disadvantaged communities by giving tax relief to investors who back businesses and other enterprises in less advantaged areas by investing in accredited Community Development Finance Institutions ('CDFIs'). The Bank has made such investments. The tax relief is worth up to 25% of the value of the investment in the CDFI. The relief is spread over five years, starting with the year in which the investment is made.

The Bank invests in CDFIs because it believes in the benefits they provide to the communities in which they operate. The tax relief it obtains is provided in accordance with UK tax law that has been made available to encourage this activity. Unity is committed to maintaining ongoing compliance with the CITR UK tax law and is conducting a review of past and current practices related to this relief. No provision in respect of previous claims is made based on the initial conclusions of this review.

We note that the company has unrecognised deferred tax of £325k in relation to capital losses.

10 Cash and balances with the Bank of England

	2024	2023
Mandatory reserve with the Bank of England	-	3,448
Cash and balances with the Bank of England	621,898	473,165
Total	**621,898**	476,613

Cash and balances with the Bank of England includes cash of £nil (2023: £3,448k) held in a mandatory reserve with the Bank of England. This amount was deposited with the Bank of England under the Cash Ratio Deposit ('CRD') scheme, which was a statutory requirement included in the Bank of England Act of 1998. The CRD scheme was discontinued in 2024 as such no mandatory reserve was held with the Bank of England.

Loans and advances to banks

	2024	2023
Other loans and advances to banks	2,689	1,799
Total	**2,689**	1,799

Included in other loans and advances to banks is £1,766k (2023: £nil) in relation to collateralised cash held in connection with derivative financial instruments.

11 Derivative financial instruments

The Bank holds overnight index swaps where a fixed rate is received against a floating rate indexed to SONIA in order to protect the variability of cash flows associated with future highly probable Base Rate referenced loans for maturities between 0 and 4 years. These swaps have been traded during 2024 and designated as cash flow hedges under IAS 39. Effective fair value changes are included in Other Comprehensive Income, in the cash flow hedge reserve, with hedge ineffectiveness recognised in the Income Statement. 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.

The hypothetical derivative method creates a derivative instrument to serve as a proxy for the hedged transaction. The terms of the hypothetical derivative match the critical terms of the hedged item, and it has a fair value of zero at inception. The hypothetical derivative and the actual derivative are regressed to establish the statistical significance of the hedging relationship. The Bank assesses whether the derivative designated in each hedging relationship is expected to be and has been highly effective in offsetting changes in cash flows of the hedged item (prospectively and retrospectively) using this regression analysis.

Under the Bank's policy, in order to conclude that the hedging relationship is effective, all of the following criteria should be met:

- the regression co-efficient ('R squared'), which measures the correlation between the variables in the regression, is at least 0.8;
- the slope of the regression line is within a 0.8-1.25 range; and
- the confidence level of the slope is at least 95 percent.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Bank's own credit risk on the fair value of the swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- difference in interest compounding conventions between SONIA and Base Rate, with SONIA compounding daily and Base Rate compounding monthly.

There were no other significant sources of ineffectiveness in these hedging relationships.

As at 31 December 2024 and 31 December 2023, the Bank held the following instruments to hedge exposures to changes in interest rates:

	Maturity 2024			Maturity 2023		
	Less than 1 year	1-5 years	More than 5 years	Less than 1 year	1-5 years	More than 5 years
Interest rate swaps						
Nominal amount	52,000	156,000	-	-	-	-
Average fixed interest rate	4.45%	3.87%	0.00%	-	-	-

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

11 Derivative financial instruments (continued)

As at 31 December 2024 and 31 December 2023 the outstanding nominal amount and fair value, including accrued interest amounting to £305k (2023: £0k), of the overnight index swaps designated as cash flow hedges were as follows:

2024

		Carrying amount								
	Nominal amount	**Assets**	**Liabilities**	**Line item in the Statement of Financial Position where the hedging instrument is included**	**Changes in fair value for assessing ineffectiveness**	**Changes in value recognised in the OCI**	**Ineffectiveness recognised in Income Statement**	**Line item in Income Statement that includes ineffectiveness**	**Amount reclassified from the hedge reserve to Income Statement**	**Line item in Income Statement affected by the reclassification**
Interest rate risk										
Interest rate swaps	**208,000**	**-**	**(1,674)**	**Derivative financial instruments**	**(1,267)**	**(1,521)**	**(153)**	**Gains and losses on instruments held at fair value**	**-**	**Interest income under EIR method**

2023

		Carrying amount								
	Nominal amount	Assets	Liabilities	Line item in the Statement of Financial Position where the hedging instrument is included	Changes in fair value for assessing ineffectiveness	Changes in value recognised in the OCI	Ineffectiveness recognised in Income Statement	Line item in Income Statement that includes ineffectiveness	Amount reclassified from the hedge reserve to Income Statement	Line item in Income Statement affected by the reclassification
Interest rate risk										
Interest rate swaps	-	-	-	Derivative financial instruments	-	-	-	Gains and losses on instruments held at fair value	-	Interest income under EIR method

12 Loans and advances to customers

Over the course of 2024, management have reviewed and refreshed (as appropriate) all model inputs, with reference to internal and external data, taking into consideration the current economic climate. The ECL provision remained at £9.7m (2023: £9.7m). This reflects the stability in loan book, size and quality, as well as the relatively stable macro-economic environment over 2024.

	2024	2023
Gross loans and advances[1,2]	**1,023,498**	**1,023,310**
Less: allowance for losses on loans and advances to customers[2]	**(9,682)**	(9,664)
Total	**1,013,816**	1,013,646

[1] Gross loans and advances are shown net of the EIR liability.

[2] Both gross loans and advances and the loss allowance differ to those shown in the credit risk tables in the Risk Management section due to commitments. Irrevocable undrawn commitments to lend are within the scope of IFRS 9 provision requirements. These commitments represent authorised overdraft balances and separately identifiable commitments for loan pipeline, where the facilities remain undrawn. The commitments of £53.8m (2023: £39.9m) are not recognised on the balance sheet, whilst the total associated provision of £188.0k (2023: £131.7k) is included within the allowance for losses on loans and advances to customers within stage 1.

Contractual netting arrangements are in place for certain customers. As a result, loans and advances are reduced by netting of £944k (2023: £1,386k), with the opposing impact in customer deposits.

Post Model Adjustments (PMAs)

The Bank has evaluated the appropriateness, adequacy and completeness of PMAs held at year end. A £203k (2023: £763k) PMA is in place in respect of our lending to sectors with specific risks not captured by modelling process. The adjustment involves applying higher probabilities of default on loans in these sectors.

The following table reconciles the opening and closing impairment provision for loans and customers in different stages, from 1 January 2024 to 31 December 2024.

	Non-credit impaired		Credit impaired	
	Stage 1 12 month ECL £'000	**Stage 2 Lifetime ECL £'000**	**Stage 3 Lifetime ECL £'000**	**Total £'000**
Impairment provision at 1 January 2024	**4,118**	**2,313**	**3,233**	**9,664**
Transfers:				
Transfers to stage 1	**47**	**(47)**	**-**	**-**
Transfers to stage 2	**(19)**	**443**	**(424)**	**-**
Transfers to stage 3	**(46)**	**-**	**46**	**-**
Utilisation	**-**	**-**	**(861)**	**(861)**
Charges/(credit) to profit and loss:				
Changes in provision[1]	**(1,249)**	**(1,120)**	**4,568**	**2,199**
Unwind of discount of allowance[2]	**(367)**	**(91)**	**(1)**	**(459)**
New provisions	**391**	**-**	**-**	**391**
Provisions that have been released during the period	**(249)**	**(41)**	**(962)**	**(1,252)**
Impairment provision at 31 December 2024	**2,626**	**1,457**	**5,599**	**9,682**

[1]Includes changes to the ECL provision arising from stage transfers and other changes to risk parameters.
[2]Representing the build-up of the discounted provision to the expected loss.

	Non-credit impaired		Credit impaired	
	Stage 1 12 month ECL £'000	**Stage 2 Lifetime ECL £'000**	**Stage 3 Lifetime ECL £'000**	**Total £'000**
Impairment provision at 1 January 2023	2,806	1,394	1,891	6,092
Transfers:				
Transfers to stage 1	-	-	-	-
Transfers to stage 2	(54)	54	-	-
Transfers to stage 3	-	-	-	-
Utilisation	-	-	(102)	(102)
Charges/(credit) to profit and loss:				
Changes in provision[1]	819	1,044	1,569	3,432
Unwind of discount of allowance[2]	(208)	(124)	(8)	(340)
New provisions	1,074	-	-	1,074
Provisions that have been released during the period	(319)	(55)	(118)	(492)
Impairment provision at 31 December 2023	4,118	2,313	3,233	9,664

[1]Includes changes to the ECL provision arising from stage transfers and other changes to risk parameters.
[2]Representing the build-up of the discounted provision to the expected loss.

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

12 Loans and advances to customers (continued)

Concentration of exposure

The Bank's exposure is all within the United Kingdom. The following industry concentrations of Bank advances before provisions are considered significant.

	2024	2023
Administrative bodies and non-commercial	**257,037**	263,410
Property (excluding hotels and leisure)	**376,313**	388,351
Healthcare and social services	**381,019**	358,124
Hotels & leisure	**1,489**	2,735
Other	**7,640**	10,690
	1,023,498	1,023,310

13 Investment securities

	2024	2023
Fair value through other comprehensive income:		
Other listed transferable debt securities	**314,130**	247,416
Total	**314,130**	247,416
Movements during the year are analysed below:		
At 1 January	**247,416**	256,638
Fair value adjustment	**3,232**	2,672
Interest income	**8,596**	6,079
Acquisitions	**159,028**	96,260
Disposals, maturities, amortisation and other movements	**(104,142)**	(114,233)
At 31 December	**314,130**	247,416

There were £43,516k disposals in the year (2023: nil).

14 Intangible assets

	2024	2023
Computer Software		
Cost		
At 1 January	**442**	442
Additions	**-**	-
At 31 December	**442**	442
Accumulated Amortisation		
At 1 January	**436**	420
Charge for the year	**6**	16
At 31 December	**442**	436
Net book value at 31 December	**-**	6

15 Property, plant and equipment

	Equipment & Fittings	Computer Equipment	Total
Cost			
At 1 January 2024	**646**	**1,554**	**2,200**
Additions	**-**	**565**	**565**
Disposals	**-**	**-**	**-**
At 31 December 2024	**646**	**2,119**	**2,765**
Accumulated Depreciation			
At 1 January 2024	**400**	**1,215**	**1,615**
Charge for the year	**49**	**231**	**280**
Disposals	**-**	**-**	**-**
At 31 December 2024	**449**	**1,446**	**1,895**
Net book value at 31 December 2024	**197**	**674**	**871**

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

15 Property, plant and equipment (continued)

	Equipment & Fittings	Computer Equipment	Total
Cost			
At 1 January 2023	646	1,344	1,990
Additions	-	218	218
Disposals	-	(8)	(8)
At 31 December 2023	646	1,554	2,200
Accumulated Depreciation			
At 1 January 2023	351	986	1,337
Charge for the year	49	234	283
Disposals	-	(5)	(5)
At 31 December 2023	400	1,215	1,615
Net book value at 31 December 2023	246	339	585

16 Leases

Right-of-use assets	Office Premises	Total
Cost		
At 1 January 2024	**2,630**	**2,630**
Disposals	**(16)**	**(16)**
At 31 December 2024	**2,614**	**2,614**
Accumulated Depreciation		
At 1 January 2024	**1,323**	**1,323**
Charge for the year	**266**	**266**
Disposals	**-**	**-**
At 31 December 2024	**1,589**	**1,589**
Net book value at 31 December 2024	**1,025**	**1,025**
Amounts recognised in the Income Statement		
Interest on lease liabilities	**73**	**73**
Depreciation of right of use assets	**266**	**266**
At 31 December 2024	**339**	**339**

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

16 Leases (continued)

Right-of-use assets	Office Premises	Total
Cost		
At 1 January 2023	2,654	2,654
Disposals	(24)	(24)
At 31 December 2023	2,630	2,630
Accumulated Depreciation		
Amounts recognised in the Income Statement		
Interest on lease liabilities	85	85
Depreciation of right of use assets	250	250
At 31 December 2023	335	335

17 Other liabilities

	2024	2023
Amounts payable within one year:		
Trade creditors	**229**	156
Other liabilities	**1,809**	2,125
Lease liability	**417**	306
Amounts payable after one year:		
Lease liability	**949**	1,271
Total	**3,404**	3,858

18 Provisions for liabilities and charges

	Multipay	Redundancy	Customer claims	Legal and other	Dilapidations provision	Total
At 1 January 2024	**395**	**-**	**74**	**24**	**177**	**670**
Income Statement movements:						
Charged in the year	**292**	**67**	**54**	**1,183**	**-**	**1,596**
Utilised during the year	**-**	**(67)**	**(74)**	**(14)**	**-**	**(155)**
Released during the year	**-**	**-**	**(41)**	**(62)**	**(16)**	**(119)**
At 31 December 2024	**687**	**-**	**13**	**1,131**	**161**	**1,992**
Amounts falling due within one year	**687**	**-**	**13**	**881**	**-**	**1,565**
Amounts falling due after one year	**-**	**-**	**-**	**250**	**161**	**427**
	687	**-**	**13**	**1,131**	**161**	**1,992**

Multipay is a provision for exposures arising from financial guarantees offered by Unity under a corporate card scheme underwritten by a third party. Redundancy provision relates to termination benefits payable to employees for loss of roles. Customer claims relate to estimated costs in ongoing investigations. Dilapidations provision is an estimate of the remedial cost of repairs and redecorations for the time when we vacate our Head Office, with the corresponding charge recognised as the lease right of use asset in line with IFRS 16. Legal and other cost provisions relate to the estimated cost of bringing our customer due diligence process up to the required levels of compliance. All provisions are based on best estimates and information available to management.

While the Bank has policies and procedures to capture areas of non-compliance with laws and regulations that affect the way it does business, there can be no guarantee that all such issues have been identified.

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

18 Provisions for liabilities and charges (continued)

	Multipay	Redundancy	Customer claims	Legal	Dilapidations provision	Total
At 1 January 2023	-	17	-	150	201	368
Income statement movements:						
Charged in the year	395	88	74	35	(24)	567
Utilised during the year	-	(89)	-	(118)	-	(207)
Released during the year	-	(16)	-	(43)	-	(58)
At 31 December 2023	395	-	74	24	177	670
Amounts falling due within one year	395	-	74	24	-	493
Amounts falling due after one year	-	-	-	-	177	177
	395	-	74	24	177	670

19 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method. The movement on the deferred tax accounts are as follows:

	Fixed assets	Pension	Investment	IFRS 9 transitional adjustment	Share options	Derivative liability	Total
At 1 January 2024 - Asset	**36**	**585**	**(1,014)**	**(33)**	**(25)**	**-**	**(451)**
Adjustment in respect of prior year	**-**	**-**	**-**	**-**	**4**	**-**	**4**
Current year deferred tax charge/(release)	**90**	**(43)**	**-**	**8**	**(12)**	**-**	**43**
Charge to OCI	**-**	**(262)**	**808**	**-**	**3**	**(380)**	**169**
At 31 December 2024 - Asset	**126**	**280**	**(206)**	**(25)**	**(30)**	**(380)**	**(235)**

	Fixed assets	Pension	Investment	IFRS 9 transitional adjustment	Share options	Derivative liability	Total
At 1 January 2023 - Asset	30	947	(1,716)	(42)	(12)	-	(793)
Adjustment in respect of prior year	-	-	120	-	-	-	120
Current year deferred tax charge/(release)	6	(34)	-	9	(5)	-	(24)
Charge to OCI	-	(328)	582	-	(8)	-	246
At 31 December 2023 - Asset	36	585	(1,014)	(33)	(25)	-	(451)

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

Deferred income tax assets are recognised for tax losses carried forward if it's likely that future taxable profits will allow it to be realised. The Bank did not recognise deferred income tax assets of £325k in respect of capital losses amounting to £1,301k that can be carried forward against future taxable chargeable gains.

All of the deferred tax balances relate entirely to temporary timing differences. Short-term timing differences and £8k (2023: £8k) of the IFRS 9 transitional adjustment are expected to be recoverable within 12 months. The residual balances are recoverable after 12 months. The deferred tax for the above items arises as follows:

- Fixed assets - on the book difference between depreciation and capital allowances.
- Pension - is the future benefit or cost relating to the difference between that accounted for (surplus) and that paid (contributions).
- Investments - relate to the fair value movement of investment securities and will reside until the underlying asset is sold and a gain or loss is realised in the Income Statement, or the asset matures, and the fair value is nil.
- IFRS 9 transitional adjustment - this will be released over the 10-year spreading period of the transitional adjustment in line with IFRS. There are 4 years remaining.
- Share options - relates to the estimated future tax deduction at the year end.
- Derivative liability – relates to the estimated future tax deduction in respect of changes in fair value of derivative instruments.

20 Pensions

As at 31 December 2024, the IAS 19 surplus in the Scheme was £1,122k compared with £2,341k as at 31 December 2023, with the movement recognised within profit and loss and other comprehensive income, as shown in the tables below.

Scheme

The Scheme is a UK registered trust-based pension scheme that provides defined benefits for some employees and former employees. Pension benefits are linked to the members' final pensionable salaries and service at their retirement (or date of leaving if earlier). Defined benefit accrual ceased with effect from October 2015.

The Trustee is responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The Trustee of the Scheme is required to act in the best interests of the beneficiaries of the Scheme. There is a requirement that at least one-third of the Trustee Directors are nominated by the members of the Scheme.

There are three categories of pension scheme members:

- In-service deferred members: currently employed by Unity who may have retained a salary link to part of their benefits and are not yet in receipt of a pension;
- Deferred members: former employees of Unity not yet in receipt of pension; and
- Pensioner members: in receipt of pension.

The defined benefit obligation is valued by projecting the best estimate of future benefit outflows (allowing for future salary increases where appropriate for in-service deferred members, revaluation to retirement for deferred members and annual pension increases for all members) and then discounting to the balance sheet date. The valuation method used is known as the Projected Unit Method. The approximate overall duration of the Scheme's defined benefit obligation as at 31 December 2024 is around 13 years (2023: 15 years).

20 Pensions (continued)

Method and assumptions

The IAS 19 valuation was completed as at 31 December 2024 by a qualified independent actuary. The assumptions used were as follows:

Significant actuarial assumptions:	As at 31 December 2024	As at 31 December 2023
Discount rate	**5.55% pa**	4.5% pa
RPI inflation	**3.1% pa**	3.0% pa
CPI inflation	**2.8% pa**	2.7% pa

Other actuarial assumptions:	As at 31 December 2024	As at 31 December 2023
Salary increases	**3.9% pa**	3.8% pa
Pension increases:		
Post 88 GMP	**2.3% pa**	2.3% pa
RPI max 5% pa	**3.0% pa**	2.9% pa
RPI max 2.5% pa	**2.1% pa**	2.1% pa
Revaluation of deferred pensions	**RPI pre 06: 3.1% pa**	RPI pre 06: 3.0% pa
in excess of GMP	**RPI post 06: 3.0%pa**	RPI post 06: 2.9% pa
	CPI: 2.8% pa	CPI: 2.7% pa

Mortality assumptions:	As at 31 December 2024	As at 31 December 2023
Mortality (pre- & post-retirement)	**100% S4PMA**	100% S3PMA Middle / Light / Very Light
	100% S4PFA	100% S3PFA Middle / Light / Very Light
	CMI_2023 1.25% (yob)	CMI_2022 1.25% (yob)

Life expectancies (in years)	As at 31 December 2024		As at 31 December 2023	
	Males	**Females**	Males	Females
For an individual aged 65 in 2024	**21.3**	**23.8**	20.9 / 22.7 / 23.4	23.4 / 24.4 / 24.9
At age 65 for an individual aged 45 in 2024	**22.6**	**25.2**	22.2 / 24.0 / 24.6	24.8 / 25.8 / 26.2

Risks

Through the Scheme, the Bank is exposed to a number of risks:

- Asset volatility: the Scheme's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields, however the Scheme invests in a range of asset classes including equities. These assets are expected to outperform corporate bonds in the long term, but provide volatility and risk in the short term.
- Changes in bond yields: a decrease in corporate bond yields would increase the Scheme's defined benefit obligation, however this would be partially offset by an increase in the value of the Scheme's bond holdings.
- Inflation risk: a significant proportion of the Scheme's defined benefit obligation is linked to inflation; therefore higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Scheme's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.
- Life expectancy: if Scheme members live longer than expected, the Scheme's benefits will need to be paid for longer, increasing the Scheme's defined benefit obligation.

The Trustees and Unity manage risks in the Scheme through the following strategies:

- Diversification: investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.
- Investment strategy: the Trustee is required to review their investment strategy on a regular basis.
- LDI approach: holding assets that display broadly similar interest rate and inflation sensitivity to the Scheme's liabilities.

Sensitivity analysis

The sensitivity analysis has been calculated by changing the noted assumption as per the table below and keeping all remaining assumptions the same as those disclosed above, except for inflation where other assumptions that are based on inflation are amended accordingly. The changes in assumptions have been selected as reasonably possible, are in line with peer analysis and are to illustrate the sensitivity of the defined benefit key assumptions.

Assumption	Change in assumption	Change in defined benefit obligation £'000
Discount rate	+ / - 1.0% pa	(2,253) / 2,763
Inflation	+ / - 0.5% pa	846 / (860)
Assumed life expectancy	+ 1 year	423

Limitations of the sensitivity analysis

These calculations provide an approximate guide to the sensitivity of results and may not be as accurate as a full valuation carried out on these assumptions. Each assumption change is considered in isolation, which in practice is unlikely to occur, as changes in some of the assumptions are correlated.

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

20 Pensions (continued)

Assets

The Scheme's assets as at 31 December 2024 were held as follows:

	As at 31 December 2024	
Asset class	**Market Value**	**% of total assets**
Equities	**2,644**	**13%**
Diversified credit fund	**3,178**	**16%**
Contractual income	**2,841**	**14%**
Corporate bonds	**3,585**	**18%**
Liability driven investment	**7,799**	**38%**
Cash	**199**	**1%**
Total	**20,246**	**100%**

Note: all assets listed above have a quoted market price in an active market.

	As at 31 December 2023	
Asset class	**Market Value**	**% of total assets**
Diversified credit fund	3,150	13%
Contractual income	4,002	17%
Corporate bonds	4,763	20%
Liability driven investment	8,811	37%
Gilts	2,689	11%
Cash	390	2%
Total	23,805	100%

Reconciliation to the Statement of Financial Position

	As at 31 December 2024	As at 31 December 2023
Market value of assets	**20,246**	23,805
Present value of defined benefit obligation	**(19,124)**	(21,464)
Funded status	**1,122**	2,341
Adjustment in respect of minimum funding requirement	**-**	-
Pension asset recognised in the Statement of Financial Position before allowance for deferred tax	**1,122**	2,341

A surplus may be recognised if the economic benefits are available in the form of a refund or reduction in future contributions. Consistent with previous years, we have treated the surplus as if it is recoverable.

Analysis of changes in the value of the defined benefit obligation over the year

	As at 31 December 2024	As at 31 December 2023
Value of defined benefit obligation at the start of the year	**21,464**	21,210
Interest cost	**948**	982
Benefits paid	**(807)**	(636)
Actuarial losses: experience differing from that assumed	**437**	312
Actuarial gains: changes in demographic assumptions	**(198)**	(575)
Actuarial (gains)/losses: changes in financial assumptions	**(2,720)**	171
Value of defined benefit obligation at the end of the year	**19,124**	21,464

Analysis of changes in the value of the Scheme assets over the year

	As at 31 December 2024	As at 31 December 2023
Market value of assets at the start of the year	**23,805**	24,998
Interest income	**1,047**	1,153
Actual return on assets less interest	**(3,528)**	(1,403)
Benefits paid	**(807)**	(636)
Administration costs	**(271)**	(307)
Market value of assets at the end of the year	**20,246**	23,805

Amounts recognised in the income Statement

	2024	2023
Expenses	**271**	307
Net interest	**(99)**	(171)
Amount charged to Income Statement	**172**	136

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

20 Pensions (continued)

Amounts recognised in other comprehensive income

	2024	2023
Actuarial gains on defined benefit obligation	**2,481**	92
Actual return on assets less interest	**(3,528)**	(1,403)
Amounts recognised in other comprehensive income	**(1,047)**	(1,311)

Future funding obligation

The Trustee is required to carry out an actuarial valuation every three years.

The last actuarial valuation of the Scheme was performed by the Scheme Actuary for the Trustee as at 30 June 2024. This valuation revealed a funding surplus of around £0.7m. As the Scheme pays its own expenses, Unity does not currently expect to make any payments to the Scheme during the accounting year beginning 1 January 2025.

Virgin Media vs NTL Court Case

Unity is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case and subsequent court of appeal ruling published in July 2024. These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation.

There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes, and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. A detailed review of historic documentation will be needed to determine whether the changes affecting Scheme benefits were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete.

As a result, Unity cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made at this time.

21 Share capital and share premium

	2024	2023
Share capital: Ordinary shares of £1 each, authorised and issued		
At 1 January	**24,792**	24,730
Issue of share capital - Share Incentive Plan	**33**	62
At 31 December	**24,825**	24,792
Share premium		
At 1 January	**18,205**	18,150
Issue of share capital - Share Incentive Plan	**58**	55
At 31 December	**18,263**	18,205

Shares were issued as follows during the current year:

- 22,853 shares were issued in respect of the SIP at £1 per share for a consideration of £23k, and 9,830 shares were issued at £6.96 per share for a consideration of £68k.

Shares were issued as follows during the prior year:

- 48,909 shares were issued in respect of the SIP at £1 per share for a consideration of £49k, and 13,507 shares were issued at £5.01 per share for a consideration of £68k.

22 Commitments

The tables below show the nominal principal amounts and credit equivalent amounts of commitments. The nominal principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk.

The commitments of the Bank as detailed below arise in the normal course of banking business and it is not practical to quantify their future financial effect.

	2024 Contract Amount	2023 Contract Amount
Guarantees and irrevocable letters of credit	**-**	242
	-	242
Other commitments:		
Undrawn formal standby facilities, credit lines		
and other commitments to lend:		
1 year and over	**97,410**	80,227
	97,410	80,227

The £97.4m (2023: £80.2m) consists of £53.8m (2023: £39.9m) undrawn accepted facilities and £43.6m (2023: £40.3m) undrawn committed facilities. Undrawn accepted facilities are where the customer has accepted the offer letter and sent it back to us. This is referred to as commitments for loan pipeline, as per note 11. Undrawn committed facilities include part-drawn facilities where the Bank has agreed to make loans available to the borrower under a revolving credit facility or delayed draw term.

Commitments under operating leases

	2024		2023	
	Land and buildings	Other leases	Land and buildings	Other leases
At the year end, total commitments under non-cancellable operating leases were payable as follows:				
Expiring:				
- within one year	**-**	**97**	-	11
- between one and five years	**-**	**8**	-	-
- in five years or more	**-**	**-**	-	-
	-	**105**	-	11

Operating lease rental payments are disclosed in note 7.

The 'Other leases' commitments refer to the Bank's offices in London which expires in January 2026.

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

23 Related party transactions

The Bank has a related party relationship with its Directors, executive management and the defined benefit pension scheme. The remuneration of non-Director key management personnel of the company is set out below in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures.

	2024	2023
Salaries and other short-term benefits	**1,310**	608
Post-retirement benefits	**67**	41
Total key management compensation	**1,377**	649

Unite the Union Trustee Company Limited and Unite the Union Second Trustee Company Limited provide a Pensions Protection Fund guarantee over the punctual performance of all present and future obligations and liabilities of the Bank, to make payments under the Scheme. During the year a fee of £10k was payable by the Bank (2023: £27k), to be shared by the guarantors. This fee is calculated in reference to the 'buy-out' (s75) value as set out in the latest actuarial funding valuation and is paid annually.

24 Country by country reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions within the scope of the Capital Requirements Directive (CRD IV, superseded by CRD V). All of the activities of the Bank are conducted in the United Kingdom and therefore 100% of the total income, profit before tax and tax paid as well as employee figures disclosed in note 8 are related to the United Kingdom. The Bank has not received any public subsidies.

25 Fair Value of financial instruments

The fair value represents the amount at which the instrument would be exchanged in an arm's length transaction between two willing parties. In most cases, quoted market prices are readily available and are used, otherwise prices are obtained by using well established valuation techniques, which use present cash flows. The fair value will approximate to the carrying value when instruments are carried on the Statement of Financial Position at market value or where the instruments are short term or contain frequent repricing provisions. At 31 December 2024 and 31 December 2023, the book value of the Bank's financial instruments that have an active and liquid market were equivalent to the fair value of those instruments.

Valuation of Financial Instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

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

The main financial instruments used by the Bank, and the purposes for which they are held, are outlined below:

Customer loans and deposits

The provision of banking facilities to customers is the prime activity of the Bank and customer loans and deposits are major constituents of the Statement of Financial Position. The Bank has detailed policies and procedures to manage risks. In addition to mortgage lending, much of the lending to corporate and business banking customers is secured.

Debt securities, wholesale market loans and deposits

Debt securities are non-traded investment securities. The Bank holds High-Quality Liquid Assets and together with debt securities underpin the Bank's liquidity requirements and generate incremental interest income.

31 December 2024	Amortised Cost	FVTOCI	Total carrying value	Fair value	Fair value hierarchy tier
Assets					
Financial instruments measured at fair value					
Investment securities	**-**	**314,130**	**314,130**	**314,130**	**Level 1**
Financial instruments not measured at fair value					
Cash and balances with the Bank of England	**621,898**	**-**	**621,898**	**621,898**	**Level 1**
Loans and advances to banks	**2,689**	**-**	**2,689**	**2,689**	**Level 3**
Loans and advances to customers (net)	**1,013,816**	**-**	**1,013,816**	**1,016,753**	**Level 3**
	1,638,403	**314,130**	**1,952,533**	**1,955,470**	
Liabilities					
Deposits from customers	**1,717,204**	**-**	**1,717,204**	**1,717,204**	**Level 3**
Derivative financial liabilities	**1,674**		**1,674**	**1,674**	**Level 2**
	1,718,878	**-**	**1,718,878**	**1,718,878**	

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

25 Fair value of financial instruments (continued)

31 December 2023	Amortised Cost	FVTOCI	Total carrying value	Fair value	Fair value hierarchy tier
Assets					
Financial instruments measured at fair value					
Investment securities	-	247,416	247,416	247,416	Level 1
Financial instrument not measured at fair value					
Cash and balances with the Bank of England	476,613	-	476,613	476,613	Level 1
Loans and advances to banks	1,799	-	1,799	1,799	Level 3
Loans and advances to customers (net)	1,013,646	-	1,013,646	992,832	Level 3
	1,492,058	247,416	1,739,474	1,718,660	
Liabilities					
Deposits from customers	1,559,309	-	1,559,309	1,558,030	Level 3
Derivative financial liabilities	-	-	-	-	Level 2
	1,559,309	-	1,559,309	1,558,030	

The fair value of customer loans and advances and loans and advances to bank have been categorised using Level 3 as the value is not based on observable market data. Derivative financial instruments are categorised as Level 2 and the remaining financial assets and liabilities have been categorised using Level 1.

Loans and advances to banks

Fair value is calculated based on the present value of future payments of principal and interest cash flows.

Loans and advances to customers

The fair value of loans and advances to customers are based on future interest cashflows and principal cashflows discounted using an appropriate market rate. The market rate applied in the calculation is a management assessment of the interest rate for new loan originations with similar characteristics to the loan portfolio being valued. The eventual timing of cashflows may be different from the forecast due to unpredictable customer behaviour.

Investment securities

The fair value of investment securities is determined by reference to the quoted bid price at the balance sheet date.

Customer deposits

Fair value is calculated based on the present value of future payments of principal and interest cash flows.

Derivative financial liabilities

Fair values are calculated as the present value based on estimated future cash flows arising from the instruments, discounted using a market interest rate, adjusted for risk as appropriate. The principal input to the valuation is the SONIA sterling benchmark interest rates. These valuations are based on market information, and they are therefore classified as level 2 measurements.

26 Share-based payments

The Bank operates three equity settled share-based payment arrangements to incentivise and reward employees as well as increase employee ownership. The Company Share Option Plan ('CSOP') and the Share Incentive Plan ('SIP') had awards first made in 2021, with further awards made under both plans in 2022, 2023 and 2024. Awards under a third share-based payment arrangement, the Key Person Share Option Plan ('KSOP'), were made in 2022.

Details of each share-based payment arrangement are set out in the Remuneration Report on page 30. The charge for the year in relation to share based payments recognised as an operating expense within staff costs was £196k (2023: £122k), see note 8. Valuation and accounting matters are set out below.

Share incentive plan ('SIP')

The Free and Matching shares vest over a 3 year period contingent on continuing employment with the Bank and are held as own shares within the ESOP reserve until they vest. The Bank funded the purchase of Free and Matching shares via a cash gift to Unity EBT Limited which is recognised as a loss on disposal over the vesting period, together with the cost of the award at the fair value on grant. The fair value of the 2024 award was based on the 2023 net asset value per share. Partnership shares are acquired by the employee and held on trust by Unity EBT Limited. There is no obligation for the Bank to repurchase the Partnership shares should an employee leave or wish to sell the shares.

Company Share Option Plan

CSOP options outstanding:	**2024 Number**	**2024 Weighted average exercise price £**	2023 Number	2023 Weighted average exercise price £
Outstanding at the beginning of the year	**140,870**	**4.44**	113,745	4.09
Granted in the year	**68,965**	**6.96**	47,904	5.01
Exercised or surrendered in the year	**-**	**-**	-	-
Lapsed during the year	**(13,717)**	**4.74**	(20,779)	3.85
Outstanding at the end of the year	**196,118**	**5.30**	140,870	4.44
Exercisable at the end of the year	**-**	**-**	-	-

The weighted average remaining contractual life of CSOP options outstanding at 31 December 2024 was 40 months (2023: 44). CSOP options were granted in September 2024 (2023: September 2023). The aggregate of the estimated fair value of the CSOP options granted in the year is £98k (2023: £40k).

Notes to the Financial Statements (continued) All amounts are stated in £'000 unless otherwise indicated

26 Share-based payments (continued)

The inputs into the Black Scholes model for the CSOP are as follows:

	2024 award	2023 award
Weighted average share price	**£6.96**	£5.01
Weighted average exercise price	**£6.96**	£5.01
Expected volatility	**40%**	35%
Expected life	**5 years**	5 years
Risk free rate	**4%**	4%
Expected dividend yields %	**1.1%**	1.1%

Expected volatility was determined by considering the historical volatility of a group of comparable listed companies over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Key Person Share Option Plan

KSOP options outstanding:	2024 Number	2024 Weighted average exercise price £	2023 Number	2023 Weighted average exercise price £
Outstanding at the beginning of the year	-	-	95,021	1
Granted in the year	-	-	-	-
Exercised or surrendered in the year	-	-	-	-
Lapsed during the year	-	-	(95,021)	1
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

The weighted average remaining contractual life of KSOP options outstanding at 31 December 2024 was 0 months (2023: 0 months). No KSOP options were granted during the year (2023: nil). The aggregate of the estimated fair value of the KSOP options granted in the year is nil (2023: £nil). All outstanding options lapsed in 2023, due to participants in the scheme failing to meet their vesting conditions.

The number of options which are eligible for vesting are based on the achievement of the performance criteria, the vesting cap and Board discretion set out in the Remuneration Report on page 30. Each of the performance criteria are considered to be non-market based and will be reassessed accordingly each year.

The inputs into the Black Scholes model for the 2023 KSOP were as follows:

	2022 award
Weighted average share price	**£4.42**
Weighted average exercise price	**£1.00**
Expected volatility	**35%**
Expected life	**5 years**
Risk free rate	**3%**
Expected dividend yields %	**0.8%**

There were no KSOP awards in 2024.

Expected volatility was determined by considering the historical volatility of a group of comparable listed companies over the previous 5 years.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions, and behavioural considerations.

27 ESOP reserve

	2024	2023
At 1 January	**79**	60
Shares purchased	**23**	49
SIP unwind over the vesting period	**(42)**	(30)
	60	79

The Employee Share Ownership Plan ('ESOP') reserve relates to shares that are held in trust for the benefit of employees exercising their options under the Bank's share option schemes and awards under the Share Incentive Plan. At 31 December 2024, the trust held 161,750 ordinary shares (2023: 128,486) with a nominal value of £162k (2023: £128k). Of the 161,750 shares held at 31 December 2024, 132,268 of these shares have not vested (2023: 128,486).

28 Dividends

A dividend of 9.00p is proposed in respect of the 2024 financial year at the forthcoming AGM. A dividend of 7.00p per share was recognised in 2024 in respect of the 2023 financial year following approval at the 2024 AGM.

Glossary

The following glossary defines terminology within the Annual Report & Accounts to assist the reader:

Unity or The Bank	Unity Trust Bank plc
ALCO	Asset and Liability Committee
APM	Alternative Performance Measure: a performance measure used by Unity that provides a more meaningful measure than other performance measures.
BoE	Bank of England
Book value	This is the same as NAV. See below for description.
CAGR	Compound Annual Growth Rate: an APM that is the annualised average rate of growth in Loans and advances to customers over the period (as a percentage).
CEO	Chief Executive Officer
CET1	Common Equity Tier 1: is a crucial component of Tier 1 capital, primarily consisting of ordinary shares and retained earnings.
CFO	Chief Financial Officer
CDFI	Community Development Finance Institutions
CIR	Cost Income Ratio: an APM that assesses the efficiency of the Bank by comparing its costs to its income, calculated as the total operating expenses as a proportion of Total Income.
CITR	Community Investment Tax Relief
CRD IV	Capital Requirements Directive (Directive 2013/36 EU)
CRD V	Capital Requirements Directive (Directive 2019/878 EU)
EAD	Exposure at default
ECL	Expected credit loss(es)
EPS	Earnings Per Share calculated as profit after tax divided by the weighted average number of shares in issue. The EPS presented is Basic Earnings Per Share i.e. this excludes the dilution impact of share options in issue.
EIRM	Effective interest rate method
FCA	Financial Conduct Authority
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
HADI	Housing Association Decarbonisation Initiative
ICAAP	Individual Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LDR	Loan Deposit Ratio: an APM that is calculated as the customer loans as a proportion of the customer deposits.
LGD	Loss given default
MES	Macro-economic scenarios
NAV	Net Asset Value: an APM that indicates the Bank's value per share, calculated as the net assets as a proportion of the issued shares
NIM	Net Interest Margin: an APM that is calculated as Net Interest Income as a proportion of the average of Cash and balances with the Bank of England, Investment securities, and Loans and advances to customers.
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default
PPF	Pension Protection Fund
PRA	Prudential Regulation Authority
RoE	Return on Equity: an APM that is calculated as PAT as a proportion of the average shareholder equity
RFP	Responsible Finance Provider
SICR	Significant increase in credit risk
SPPI	Solely payments of principal and interest

Accreditations

Throughout our history, Unity Trust Bank is proud to have been awarded with a number of accreditations in recognition of the continuous work we do to positively impact our people and society.

From being the first bank to be accredited as a Living Wage Employer and the first to achieve the Fair Tax Mark, to our Bronze Standard in Carbon Literacy and Gold Standard in Investors in People, striving towards these achievements is not just for the 'badge', it's part of our values and what we do to provide a better future for everyone.

Investors in People

is a standard for people management, offering accreditation to organisations that adhere to the Investors in People Standard. We continue to achieve this by investment in our people with training, mentoring, coaching, supporting professional qualifications and recognising the contribution of our people.

Disability Confident Employer

Disability Confident is creating a movement of change, encouraging employers to think differently about disability and take action to improve how they recruit, retain and develop disabled people. We do our best to make reasonable adjustments for candidates, colleagues and customers to ensure Unity is accessible to all.

The Kings Award for Enterprise

The Kings Award for Enterprise: Sustainable Development is a prestigious UK award that recognises businesses that demonstrate excellence in sustainable practices. This award is presented by King Charles III, highlighting its significance and royal endorsement. To qualify, companies must excel in three key areas: environmental protection, social responsibility and economic prosperity. The award is not only a symbol of achievement but also provides a platform for Unity Trust Bank to showcase our sustainable initiatives and inspire others to follow suit.

Fair Tax Mark

The Fair Tax Mark accreditation scheme seeks to encourage and recognise businesses that pay the right amount of corporation tax at the right time and in the right place.

Living Wage Employer

A Living Wage Employer pays all directly employed staff a Living Wage, and has a plan in place to extend that to regular sub-contracted staff as well.

The Sunday Times Best Places to Work

The Sunday Times Best Places to Work is a prestigious award that recognises companies that offer exceptional employee experiences. This annual survey ranks organizations based on factors like employee satisfaction, work-life balance, leadership and company culture. By winning this award, we demonstrate our commitment to creating a positive and supportive workplace, which often attracts top talent and improves overall employee morale.

PCAF

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas ('GHG') emissions associated with their loans and investments.

NACFB

The National Association of Commercial Finance Brokers ('NACFB') is the UK's largest independent trade body for commercial finance brokers.

Women in Finance Charter

The Women in Finance Charter is a commitment by HM Treasury and signatory firms to work together to see fairness and gender balance at all levels across financial services firms.

GABV

The GABV is a community of financial institutions which share a mission driven approach to banking that puts finance at the service of people and planet. Social and environmental impact are at the heart of a values-based bank's business model.

Fossil Fuel Non-Proliferation Treaty Initiative

The Fossil Fuel Non-Proliferation Treaty Initiative is a global effort to foster international cooperation to accelerate a transition to renewable energy for everyone, end the expansion of coal, oil and gas, and equitably phase out existing production in keeping with what science shows is needed to address the climate crisis.