WEATHERBYS
BANKING GROUP

ANNUAL REPORT & ACCOUNTS 2022

WEATHERBYS
BANKING GROUP

# Founded in 1770, Weatherbys is a family run business that has evolved over the last 250 years to become a group of companies which include Weatherbys Private Bank, Weatherbys Racing Bank, Arkle Finance Ltd and Weatherbys Hamilton LLP.

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For the most up-to-date information visit our websites:
www.weatherbys.bank
www.arklefinance.co.uk
www.weatherbyshamilton.co.uk

**Front cover:** Greywalls near Edinburgh

## Financial highlights

**£15.2m**
**Profit before tax**
Up 124% from £6.8m in 2021

**£49.2m**
**Net interest income**
Up 54% from £32.0m in 2021

**£1,521m**
**Client deposit balances**
Up 8% from £1,405m in 2021

**£2.59bn**
**Gross inflow**
Up 12% from £2.32bn in 2021

**£776m**
**Client lending balances**
Up 4% from £745m in 2021

**51%**
**Loan to deposit ratio**
Down from 53% in 2021.

## Operational highlights

**86%**
**Client satisfaction**
The percentage of clients who are 'very satisfied' with their relationship with the Bank

**150%**
**Increase in L&D investment**
We significantly increased our investment in developing our people in 2022

- **New Non-Executive Director, Jane Millar, appointed to the Bank Board**
- **New bank client numbers continued to grow**
- **Arkle's loan book grew by 30% and new business momentum was maintained**
- **Over £9.5m invested in Technology and Operations (equivalent to 63% of profits)**
- **An increase of 23% in staff numbers**
- **Six of the Weatherbys Private Bank team recognised in the 2022 Spear's 500 Wealth Management Index**
- **New Manchester office to expand Private Bank in the North West**

# Weatherbys at a glance

The Group provides banking services to a client base of predominantly high-net-worth individuals. In addition to banking and wealth advice, it provides financial services to the horse racing industry and wider community, asset finance to SMEs, tax and insurance services.

## GROUP INFORMATION

WEATHERBYS
BANKING GROUP

WEATHERBYS
PRIVATE BANK

Weatherbys Private Bank provides banking services to private individuals including current accounts, deposit accounts, lending and foreign exchange.

www.weatherbys.bank/private-bank

WEATHERBYS
RACING BANK

Weatherbys Racing Bank provides racehorse owners and bloodstock industry professionals with bank accounts that have all the features and flexibility required for racing transactions.

www.weatherbys.bank/racing-bank

WEATHERBYS
HAMILTON

Weatherbys Hamilton specialises in all the insurance requirements of private clients, farm and estate owners and the bloodstock industry.

www.weatherbyshamilton.co.uk

ARKLE
FINANCE

Arkle Finance Ltd provides corporate, small business and consumer asset finance as well as specialist funding for renewable energy installations, marine finance and specialist finance for educational institutions.

www.arklefinance.co.uk

## KEY FACTS AND FIGURES

**21,500**
**Clients**

**8**
**Offices throughout the UK**

**371**
**Members of staff (2021: 302)**

**252**
**Years of the Weatherbys brand**

## OUR LOCATIONS

## OUR SERVICES


## GOVERNANCE

**Maintaining effective governance**
The Weatherbys Banking Group is fully committed to developing the strategy of the business and providing effective governance and leadership. The Banking Group Board (the Board) is supported by appropriate governance arrangements and committee structures which create a solid base for effective governance, well-informed decision making, accountability and strategy setting.

**See Governance overview, page 26**

**"The Board is committed to achieving high standards of governance, integrity and business ethics."**

David Bellamy
Chairman

## BEING SUSTAINABLE

One of the Bank's core values is social responsibility, with a fundamental belief in using the success of our business as a force for good. This is reflected in our responsible business strategy, which drives actions in three key pillars – sustainability, Creating The Future and giving back. At the centre of our sustainability strategy is a commitment to playing an active role in the climate crisis – by addressing our personal impact (through science-based targets), and investing in carbon removal projects.

During 2021 we met our initial goal to become carbon neutral and laid out our commitment to becoming net zero, with an ambition to meet this goal before 2030 if possible.

The Bank is also seeking to gain external accreditation through B Corp who have developed a gold standard in social and environmental impact assessment.

**See more on Sustainability, page 20**

### OUR THREE PILLARS

1. **Sustainability**
2. **Creating The Future**
3. **Giving back**

carbon footprint standard
Carbon Neutral Organisation

# What sets us apart

## "We put our clients at the heart of everything we do."

**Quentin Marshall**
Managing Director

### OUR VISION

Our vision of being **a shining light in financial services** is all about acting with integrity; we simply believe in doing the right thing, we always have and always will.

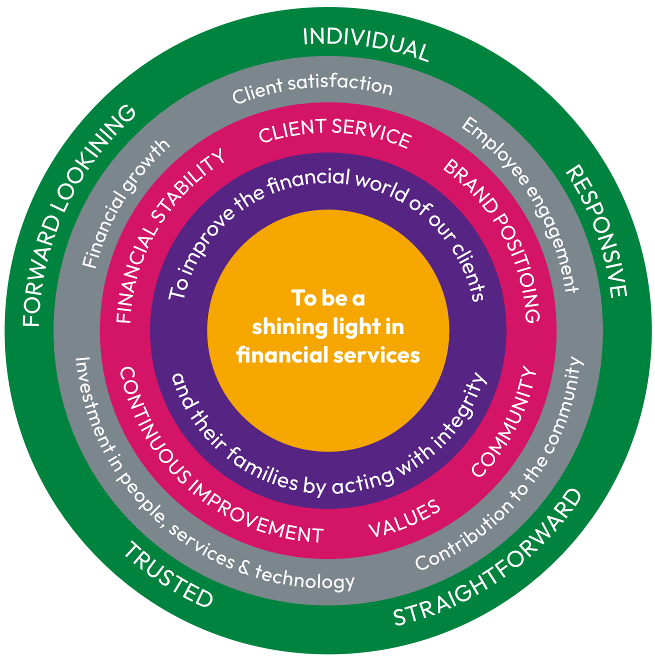
### OUR MISSION

This dovetails with our mission **to improve the financial lives of our clients and their families.** Our business is founded on relationships and our clients are simply at the heart of everything we do.

### OUR VALUES

Our core values – **Forward Looking, Individual, Responsive, Straightforward and Trusted** – which we refer to as 'The Weatherbys Way', underpin our way of working and not only provide us with a framework for responsible business practices, they also help to differentiate us from our competitors.

### OUR STRATEGY




- Our values
- Our goals
- Our priorities
- Our mission
- Our vision

WEATHERBYS
PRIVATE BANK

**"We are delighted with the culture, service and responsiveness."**
Stephen and Fiona Duckett
Hundred Hills

## CLIENT SATISFACTION

Our clients are at the heart of everything we do. Our bespoke and tailored approach is what sets us apart, this is reflected in our sector-leading client satisfaction scores.

Client feedback taken from 2022 Private Bank survey

**73**
**Strong Net Promoter Score (NPS) confirms clients are happy to refer us to their friends, family members and colleagues**

**98%**
**strongly agree or agree that we are accessible and responsive**

**98%**
**of our clients feel treated like a valued client**

**99%**
**of respondents are very or moderately pleased with us overall**

**97%**
**of calls answered within 3 rings**

# Safety above all else

> **"To us our clients are real names and faces, not just numbers."**
> Roger Weatherby
> Chief Executive Officer

**Our business model is safety first...**
Historically banking was principally about lending safely and keeping depositors' money safe. It still is for us. The requirement to be able to meet the liquidity needs of clients whenever they might arise should be at the heart of every bank's risk management framework. That's why we maintain a low loan to deposit ratio meaning that we have a relatively high proportion of surplus cash. We keep the vast majority of it in an instant access account at the Bank of England rather than seek to invest that cash in longer-term asset classes. It is not our money to gamble, and our clients expect nothing less – something we will never forget.

**.....with exceptional service**
Weatherbys' proposition still remains fundamentally about people. To us our clients are real names and faces, not just numbers. We believe we go the extra mile in terms of the service we give and our people who deliver that exceptional service have names and faces too and are part of the wider Weatherby family.

We are all aware that families are a diverse gathering, and the same applies to our clients and our colleagues. It's vital that our family business, its structure and its management reflects and embraces diversity of make up and most importantly, diversity of thought and involvement.

Treating our clients with respect and fairness is a fundamental cornerstone of our business model – our duty to them has always been paramount and this concept has now been enshrined in far-reaching Consumer Duty regulation being introduced by the FCA this Summer. Something we welcome and embrace.

**Our vision is 100% human and 100% digital**
Our clients will always be able to talk to their banker if they wish – but in the wider banking sector, many functions and services will become digitised and automated. Indeed, banking is increasingly at the forefront of technological innovation and all those in the industry need to adapt to clients' expectations and changing requirements. As do we.

We invested over £9.5m last year alone in Technology and Operations, equivalent to 63% of our profits and fully expect to continue to make significant investment in technology in future years.

**Rising prices and interest rates**
The last three years has been nothing if not unpredictable. We didn't foresee the COVID-19 pandemic, or war in Ukraine and although many of us thought the eventual unwinding of QE would be challenging, the speed of the changing monetary cycle in 2022 caught most by surprise.

Inflation hasn't been this high for 40 years and although most of our clients can remember much higher interest rates (my first mortgage was at 15%!), many in society had got used to the ultra-low interest rates environment that has existed since the financial crash of 2008/09.

**2022 performance**
Rising interest rates has led to increased profits this year for the Weatherbys Banking Group, mainly as our return on surplus treasury assets is closely linked to Base Rate. We are proud to report the highest profit in our history of £15m, more than double 2021's results, but for us as a long-term business we look at our overall return across the economic cycle. Our aim is to achieve a long-term return on capital that allows us to meet the needs of all our stakeholders, especially our clients. To do so, we must invest in technology and people to provide exceptional client service levels, supporting our staff to develop, and provide an appropriate return to our shareholders, all while offering good outcomes for borrowers and depositors.

**Creating the Future**

We are delighted to be holding our fourth Creating the Future event on 31 October. These are enjoyable and stimulating events with fantastic speakers who are experts in their field. I believe that we must work together in the best interest of future generations. Our world is facing huge challenges, not only environmental but also global instability and war. This will lead to further conflict as populations seek to escape the resulting economic fallout. We hope these events will inform and generate discussion and may even lead to solutions amongst our extraordinary network of clients.

**2023 and beyond**

The outlook remains uncertain and as a family business with a proud heritage we know that we must remain vigilant to economic conditions and the changing landscape. Safety above all else and we will continue to invest in our people, products and services to meet and surpass our clients' expectations both now and into the future.

**Roger Weatherby**
CEO

24 April 2023

# Business review

Weatherbys Bank Limited is a family-owned bank founded on a heritage of traditional values and prudent stewardship but one that adopts a progressive and forward-looking approach.

> **"Weatherbys Bank adopts a conservative approach to balance sheet management. This 'safety first' approach is ultimately in the interests of all our stakeholders, whether they be depositors, borrowers or indeed, the family shareholders themselves."**
>
> Andrew Turberville Smith
> Group Finance Director

**The Group provides retail banking services to a client base of predominantly high-net-worth individuals. In addition to private banking and wealth advisory services, it provides banking services to the horse racing industry and wider community, asset finance to SMEs, tax and insurance services.**

### Business review: market environment

Rising inflation was a key theme of 2022. Energy price rises, in large part caused by severe disruption to the world supply chain after Russia's invasion of Ukraine, further exacerbated by supplier disruption caused by Brexit, together with the gradual unwinding from an extended period of quantitative easing, all came to a head during the year. The Bank of England's response was to raise Base Rate from the unprecedented lows that had existed for nearly 15 years since the financial crisis of 2008/09. The correction, when it came, was always going to be challenging but the very rapid change in inflation to levels above 10% appeared to catch policymakers slightly by surprise and their subsequent action to control inflation has led to a significant change in interest rates and the growth outlook more generally.

Recently refurbished London offices, provide a better working environment and client meeting spaces

Business and consumer confidence was shaken by the inflationary pressures and increased costs of financing which led to downward revisions in growth forecasts. None of this was helped by the disruption and change in the autumn at government level.

Despite this backdrop annual GDP output grew by 4.1% in the year, following growth of 7.4% in 2021 (source: ONS bulletin December 2022) and UK house prices rose by 9.8% in the 12 months to December 2022 (source: Land Registry).

### Business review: the Group

New client numbers as well as lending and deposits continued to grow in 2022. The total assets of the Group increased by 9% to £1,609m (2021: £1,476m). Customer deposit balances reached a new high of £1,521m, growing by £116m (8.3%) during the year (2021: £1,405m). Customer lending balances have grown by 4.1% to £776m (2021: £745m). The Group ended the year with a loan to deposit ratio of 51% (2021: 53%) and a strong liquidity position.

**The Weatherbys investment & wealth advice team helps clients by providing expert financial planning and investment advice**

Over the last 10 years the Group has consistently grown its assets and as UK interest rates began to return to levels closer to historical norms the Group's net interest margin also recovered. Group net interest margin increased to 3.19% from 2.17%, as the Banking Group benefited from eight consecutive increases in Base Rate throughout the year. Net interest income increased by £17.2m (54%) to £49.2m (2021: £32.0m).

The Board remains committed to the long-term success of the Banking Group and the investment required to maintain the product and service levels that our clients have come to expect. Administrative expenses increased by £7.4m (23%), predominantly through increased investment in people and technology. We hired over 69 staff during the year taking the total up to 371 by the year-end, an increase of 23%.

We also spent over £5.7m on technology, with an extensive change programme across a range of customer facing and internal support initiatives.

Nearly 80% of the Bank's lending is to private clients, well secured at low loan to value ratios. Within this segment there has been no discernible fall in creditworthiness and no additional specific provisions have been made reflecting the strong credit quality of such lending.

Arkle, the Bank's asset finance business, emerged from the effects of the significant disruption to small businesses across the UK in 2020 and 2021. Its loan book grew by 30% and new business momentum was maintained into the last quarter despite the wider economic uncertainty. It hired a further nine staff taking its complement up to 72 at the year-end (+14%) and invested £350k in its technology services. Profit before tax after provisions was £1.4m (2021: £0.4m).

Profit before tax for the Group was £15.2m (2021: £6.8m). Total shareholders' funds increased by 18% to £62.5m (2021: £52.8m). The Group remains well capitalised with a Core Equity Tier 1 ratio of 12.1% (2021: 11.8%), well above the regulatory minimum level of 8%. The total capital ratio was 14.5% (2021: 14.5%).

The leverage ratio at the year-end was 5.30% (2021: 5.60%), compared to a minimum level of 3.25%. At the year-end the Group held surplus funds of £793m in gilts, other qualifying liquidity buffer assets, and treasury deposits at well rated bank counterparties (2021: £71m).

**Financial key performance indicators**
The Board and senior management continuously assess the performance of the Bank. A number of key performance indicators are used to frame this assessment process. These include inter alia net interest margin, cost-to-income ratio, return on capital, capital headroom ratio, liquidity coverage ratio, net stable funding ratio, customer loan-to-deposit ratio, average loan-to-value ratio, loss ratios and net flows into wealth advisory platforms.

Where relevant, these indicators have been included in this Strategic Report or within the Directors' Report in the context of presenting Bank performance.

## GROUP KEY PERFORMANCE INDICATORS

**Profit before tax**

**£15.2m** +124%

| | |
|---|---|
| 2022 | £15.2m |
| 2021 | £6.8m |

**Total shareholders' funds**

**£62.5m** +18%

| | |
|---|---|
| 2022 | £62.5m |
| 2021 | £52.8m |

**Net interest income**

**£49.2m** +54%

| | |
|---|---|
| 2022 | £49.2m |
| 2021 | £32.0m |

**Net interest margin**

**3.19%**

| | |
|---|---|
| 2022 | 3.19% |
| 2021 | 2.17% |

**Client lending balances**

**£776m** +4%

| | |
|---|---|
| 2022 | £776m |
| 2021 | £745m |

**Core equity Tier 1 ratio**

**12.1%**

| | |
|---|---|
| 2022 | 12.1% |
| 2021 | 11.8% |

**Client deposits balances**

**£1,521m** +8%

| | |
|---|---|
| 2022 | £1,521m |
| 2021 | £1,405m |

**Total capital ratio**

**14.5%**

| | |
|---|---|
| 2022 | 14.5% |
| 2021 | 14.5% |

**Loan to deposit ratio**

**51%**

| | |
|---|---|
| 2022 | 51% |
| 2021 | 53% |

**Leverage ratio**

**5.30%**

| | |
|---|---|
| 2022 | 5.30% |
| 2021 | 5.60% |

**Total assets**

**£1,609m** +9%

| | |
|---|---|
| 2022 | £1,609m |
| 2021 | £1,476m |

WHAT OUR PEOPLE SAY

**"The future at Weatherbys is something that I'm really excited about."**

Sarah Vaughan

**EMBRACING CHANGE**

# FUTURE DEVELOPMENTS

There are three key themes that the Board continues to monitor closely in regard to their potential to affect the Banking Group's future performance and ability to meet our strategic targets, namely the strength of the UK economy, technology developments and the regulatory landscape. In addition, the changing geopolitical landscape caused by Russia's invasion of Ukraine in February 2022 added another layer of uncertainty to economies worldwide.

As inflation began to take hold in 2022, policymakers reacted with a successive rise in interest rates in an effort to slow the economy and dampen down further price inflation. Many businesses and individuals across the UK have been significantly impacted by increases in energy prices and more generally the 'cost of living squeeze'. As we enter 2023, the path for further interest rate rises has flattened and further out the market forecasts a gradually declining yield curve with terminal rates of around 3.5%.

However, in the last three years, when we have seen a worldwide pandemic, war in Ukraine and inflation reaching over 10% for the first time in 40 years it would be wise to tread cautiously with regard to predictions.

As a UK-based banking group, primarily serving high-net-worth clients in the UK but with some exposure to SMEs through our asset finance subsidiary, we remain cautious on the UK credit outlook. Technology continues to evolve and change the way many customers interact with their bank. We will continue to invest significant amounts in our technology and digital platforms, with the objective of offering our clients all possible options in their choice of interacting with us.

The Prudential Regulation Authority (the 'PRA') has announced that the counter-cyclical buffer will be increased by a further 1% to 2% of risk weighted assets in June 2023 (having reduced it to zero when the pandemic struck in March 2020). This will mean that all banks are required to hold additional capital to protect them against unexpected events. It has also concluded a consultation on revised credit risk weightings with a target introduction of January 2025. It is too early to assess the impact on the Bank at this stage, but the Bank's capital position remains strong relative to its individual capital requirements set by the PRA that reflect the credit, operational and other risk areas specific to Weatherbys Bank. The Bank also maintains a strong liquidity position relative to its regulatory requirements.

The Financial Conduct Authority is also introducing a significant change to its rules, introducing a new 'Principle 12' where a firm 'must act to deliver good outcomes for retail customers'. New Consumer Duty rules take effect from 31 July, and it sets higher and clearer standards of consumer protection across financial services and requires firms to put their clients' needs first. The rules requires that clients should get communications they can understand, products and services that meet their needs and offer fair value, and that clients get the support they need, when they need it. As a private bank focused on meeting the expectations of our clients and delivering exceptional service, we are already fully committed to this principle but as always there is more that we can do.

# Banking in the digital age needs the human touch

**IN AN INCREASINGLY DIGITAL AND INSTANTANEOUS WORLD, ROGER WEATHERBY, CEO OF WEATHERBYS PRIVATE BANK EXPLAINS WHY RELATIONSHIP BANKING AND BEING ABLE TO GET IN TOUCH WITH A REAL PERSON WILL BECOME EVER MORE VALUED.**

There is no getting away from how digital technology is making our lives easier. Only the other day, I picked up my smartphone to buy a ticket on the Trainline app and then when I got to my destination, I used another app to order a taxi to take me to my meeting. And the technology will only get better. Throw in the potential wonders of AI and it is exciting to think of what we will be able to do digitally 10 years from now.

Yet while digital works well for simple transactions, there are question marks over its ability to deal with complex situations. Indeed, I believe it will be a long time before a computer or a digital bot can take on the complexity a banker can handle.

## People are supercomputers

We must not forget that people are supercomputers in their own right. If you have a simple digital transaction and it goes well, that is fine. But as soon as you want to do something slightly different, or something goes wrong, that is when you need the human touch. It may take less than a minute to buy something digitally but it can take months to sort out if something goes awry.

Take the story of one of our clients who recently invested a significant sum in a foreign exchange business with a different bank to fund a family scheme. Their account was frozen because of a potential hacking incident and they had to wait six months before their money was released. During that time, they never managed to speak to someone over the phone to resolve the situation. That doesn't sit right with me. Providing a high level of personal service is still of utmost importance to Weatherbys to this day and some 97% of our customers get through to us within three rings, which is pretty extraordinary.

## Digital banks cannot reach out

Digital banking is still primarily transactional; it has little advice built-in or the ability to build relationships. I frequently recall the story of how one of our banking executives jumped into her car on a Saturday night to help an elderly client stranded at a petrol station. Having entered the incorrect PIN numerous times, our client's card had been cancelled. The banker gave her a cup of tea, calmed her down and resolved the situation. That is the human touch that cannot be replicated by a computer.

Banks founded on relationships can be flexible and agile, in a way that digital banking simply cannot. A farmer client of ours had been in a long-standing row over a piece of land with a neighbouring farmer. It came to head on a Sunday when our client was told that he had 24 hours to buy the land or it was going up for auction. We managed to arrange the finance and get the deal done in time – making a huge difference to his family for generations to come. That type of transaction is just not possible in the digital world.

Banking is not just having a relationship with the primary account holder – it is about the wider family and the generations to follow. Digital banking doesn't build a full picture that you need to provide a high level of service.

## Embracing the digital age

Even if digital banking evolves to close this gap, I question whether it would still be truly able to get under the skin of what the family wants to do, how they will react and how the different relationships within the family intertwine.

But I am no technophobe. Digital has a role to play in banking – but a combined one. Digital banking may have limitations but those who ignore it, do so at their peril. We continue to embrace advances in technology, so we can offer an even stronger trusting relationship with our clients.

I believe you should want your clients to have a wonderful personal relationship with their bank and have great technology at their fingertips too. With our online and mobile banking services, our clients stay in control with easy access to their finances wherever they are. Sometimes you want to be able to check a balance or transfer some money while sitting in the back of the cab just to get it done. But when you have a complex transaction, need advice or something has gone wrong, you have got to be able to speak to someone who knows you and understands you. At Weatherbys, as more complex financial needs arise you can be sure of getting through to a real person.

Relationship banking is vital. I firmly believe it will be even more important in the future, but it is always going to need to be backed up by fantastic technology. The more we work, live and breathe in a digital world with our smartphones always within reach, I believe we will come to value the human touch even more.

**"Banking is not just having a relationship with the primary account holder – it is about the wider family and the generations to follow."**

# S172(1) statement

## As a privately owned bank striving to provide the highest levels of customer service, we consider our customers and employees as our key stakeholders.

**We consulted with customers and employee groups to agree and define the key characteristics of our service offering in order to enshrine these into a set of corporate values. These values – christened the 'Weatherbys Way' – will underpin every decision at every level as we seek to protect the Group into the long term.**

In October 2022 we held our first Brand Awards for our staff, recognising those who were outstanding in supporting our five brand values, namely Forward-Thinking, Individual, Responsive, Straightforward and Trusted.

We recognise that our people are our greatest asset. Providing unbeatable service has been at the heart of the Weatherbys Way and now we are focusing on how we can serve our people best too. We know that having a diverse workforce creates a more fulfilling place to work as well as better business outcomes. So, we are working on our equality and diversity programmes, promoting internal succession development, creating financial inclusion and flexible working through age, gender and diversity. In 2022 we were accredited as a Living Wage Employer.

We have continued our initiatives to enhance communications to staff to update them on financial performance, strategic initiatives, charitable donations as well as to provide mental health and well-being support programmes to all our employees. We have continued to conduct regular staff surveys to seek feedback and opinions on a wide range of relevant issues.

From improving the lives of our employees and creating a better future through our charity work, to ensuring we do not harm our environment, we have a proven track record of taking our social responsibility seriously, both for our workers and the wider community.

In 2020 we were proud to announce that the Weatherbys Group had achieved Carbon Neutral status and we have a stated our aspirations to achieve Net Zero before 2030. We aim shortly to become recognised as an accredited B Corporation and become part of this growing community aiming to redefine success in business.

We have also created some social impact priorities: Giving Back, Our People and Caring for the Planet. The Weatherbys family of companies has a long tradition of giving back to society and the Board believes that business should be a force for good. Profitability is important; being successful gives us the opportunity to make a bigger impact but having a positive impact on society and the environment is equally important.

We know that taking time out from our day jobs and doing something for the greater good, not only enhances our world but also our people. As part of our Time Bank programme, we provide our staff with days off to do good.

We partner with a number of charities, both on an ad hoc and long-term basis. We are hosting our fourth Creating the Future event later in 2023 where we will invite guests, customers and friends, to hear eminent and eloquent experts address some of the most topical issues affecting us now and in the future.

We have also reviewed all the suppliers we work with to make sure we are doing as much to reduce our environmental impact and keep our supply chain as local as possible. We continue to refine our standards and goals for being a responsible business.

The Board of Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which would be most likely to promote the success of the Group for the benefit of its members as a whole, having particular regard (amongst others) to:

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

# Principal risks and uncertainties



In all areas where the Board believes that material risks exist it has taken action to control and mitigate these risks.

**The principal risks to which the Bank is exposed are highlighted in the following sections.**

### Economic risk

Whilst the banking sector generally does benefit from the recent rises in interest rates through widening margins, the aim of the central bank's action is to dampen economic activity to lower inflation. Economic theory would expect higher credit losses in the near and medium term. Typically, clients on the private banking side of the Group are well insulated against such downturns but we are not complacent. Within the Private Banking lending portfolio, which accounts for 75% of the total loan book, customer loans are secured principally on residential properties at an average loan to value ratio of approximately 35%.

Our asset finance business, which accounts for 25% of the lending portfolio, continues to write new business although it keeps a close watch on its underwriting processes and regularly adjusts them to local, sector specific challenges. The Board believes a well-managed asset finance business can provide good returns over the economic cycle and Arkle's fixed lending to SMEs is an important part of the Group's overall strategy.

As a seventh generation, family-owned bank, Weatherbys Bank has always been managed with long-term sustainability as a primary objective. It has operated prudently within its financial limits and maintained capital and liquidity buffers in order to protect against the impact of unpredictable shocks. Whilst political and economic uncertainty persists, the near and medium-term outlook for the Banking Group remains positive.

### Capital risk

Capital risk is the risk that the Bank has insufficient capital to support its strategic growth objectives, or to enable it to withstand further changes to the regulatory regime.

The Bank has a conservative approach to managing capital risk. In addition to the minimum regulatory capital requirements set by the PRA through its Total Capital Requirement, the Board has determined that an appropriate buffer above the regulatory minimum must be maintained at all times. At year-end the total capital ratio was 14.5% (2021: 14.5%) and total regulatory capital was £69.1m against a Total Capital Requirement of £63.9m.

Management and allocation of the Bank's capital is overseen by the Asset and Liability Committee ('ALCO'). If the headroom falls to an internal trigger level, ALCO is required to explain to the Board whether corrective action is required and recommend an appropriate course of action.

### Liquidity risk

Liquidity risk is the risk that the Bank has insufficient financial resources to meet its liabilities as they fall due.

This could be due to an inability to liquidate assets to obtain adequate funding ("funding liquidity risk") or that it cannot readily liquidate assets without incurring significant market losses ("market liquidity risk").

The Bank's principal tools to mitigate liquidity risk are the loan-to-deposit ratio limit and the corresponding minimum liquidity buffer, both set by the Board. At the year-end it held treasury assets of £793m (2021: £710m) of which £539m (2021: £553m) was held with the Bank of England and other major UK banks in instant access accounts. The Bank does not hold a significant proportion of fixed interest bonds or securities in its Treasury portfolio and consequently has a low level of market liquidity risk.

The Bank's liquidity position is monitored daily and managed by ALCO.

### Credit risk

Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their financial obligations to the Bank when they fall due. Credit risk arises from loans and advances to clients, and from treasury investment of surplus cash.

To mitigate credit risk in the client loan book the Board has approved lending policies and procedures that are reflective of the Bank's risk appetite. All loan applications are considered in accordance with these procedures, and an approval hierarchy is in place depending upon the risk characteristics and size of each application. The largest loan applications require approval by the Board. Responsibility for the ongoing management of client credit risk rests with the Group Risk committee. The average loan to value ratio for lending secured by residential property is approximately 35% (2021: 38%).

To mitigate credit risk in its treasury activities the Board has set minimum short-term and long-term credit ratings for approved counterparties where the Bank places its surplus funds, as well as individual monetary limits. These limits are reviewed on a regular basis by ALCO and are set by reference to the Bank's assessment of the risk of default for each counterparty. The Bank monitors appropriate agencies to provide credit ratings for financial institutions.

### Concentration risk

Concentration risk is the risk of loss due to either a large individual exposure, or significant exposures to groups of counterparties who could be affected by common factors, including geographical region ("geographical risk").

# **Principal risks and uncertainties** cont.

To mitigate concentration risk the Board has:

- Set limits on the maximum percentage exposure to any individual business sectors against the total lending book; and
- Set limits on the geographical concentration of advances.

The Bank regularly monitors concentration risk and geographical risk to ensure that the Bank is not overexposed in a particular business sector or geographical region.

**Interest rate risk**

Interest rate risk is the risk that a significant movement in interest rates will have a material impact on the Bank's profitability, for example by reducing the net interest margin.

The Group is exposed to interest rate risk that arises from a mismatch between the repricing of assets and liabilities. The majority of the Group's lending is variable, although its lending to SMEs through its asset finance subsidiary is on fixed terms, generally between three and four years together with a proportion of its lending to private clients. On the liability side, credit interest paid on the majority of deposits is also variable. Partly as a consequence of its low loan to deposit ratio and surplus funds, the Group's net interest margin will generally fall when Base Rate falls and correspondingly increase as rates rise.

The Bank regularly measures and reports to ALCO its interest rate risk based on 200bps positive or negative shifts in the yield curve, which are then translated into a net present value. The Bank uses interest rate swaps to hedge exposures to interest rate risk to ensure these remain within the limits set by the Board.

**Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Bank recognises that operational risk is inherent in all its products, activities, processes and systems and is particularly cognisant of all aspects of data security.

The Board has approved an Operational Risk Policy to ensure the risks are adequately identified, monitored and controlled and any losses resulting from operational risk are minimised in line with the Bank's risk appetite.

**Cyber risk**

This is the risk that the Bank businesses are subject to some form of disruption arising from an interruption to its IT and data infrastructure.

The Bank continues to invest in both people and technology in the development of robust defence systems against ever-increasing cyber threats.

**Reputational risk**

Reputational risk is the risk that the Bank's reputation is damaged by an event, internal or external, leading to financial loss.

The Board is fully aware of the damage that can be caused if the Bank's reputation is damaged and as such the corporate governance and control environment are designed to manage this risk.

**Regulatory & conduct risk**

As a provider of financial services, the Bank also faces potential risks arising from failures to meet customer expectations, to deal with complaints effectively and to ensure the products it provides are appropriate to their customers' needs. In addition, it must comply with all banking regulations including compliance with Financial Crime and Anti-Money Laundering laws.

The Company's internal systems, controls, employee training, and protocols are designed specifically to protect against such risks.

**Pension risk**

Pension risk is the potential that the Bank will be unable to meet additional liabilities that might arise under a defined benefit pension scheme. This can be due to a number of factors:

- A fall in the market value of investments held reducing the fair value of scheme assets;
- A fall in the discount rate increasing the present value of scheme liabilities; and
- An increase in the life expectancy increasing the present value of scheme liabilities.

Weatherbys Bank Limited is part of a group of companies controlled by Weatherby family trusts. It is part of a group defined benefit pension scheme and is therefore required to meet its share of the liabilities arising under the scheme.

As with other such schemes the Group has a recovery plan in place to meet this liability that has been agreed with the Pension Regulator.

**Climate change risk**

Climate change and society's response to it present a current and developing risk that could impact the long-term viability of the Bank. For example, through credit losses occurring in industries that become displaced.

The Board is cognisant of the risk from climate change to the banking sector. It has hosted three 'Creating the Future' conferences that have included debate on climate changes issues and has allocated SMF climate change responsibility to its Chief Executive.

The possible effects of climate change have been discussed at Group Risk Committee and at Board level. The initial assessment is that the Bank's primary area of exposure relates to the value of domestic properties taken as security for loans to private clients.

Possible downside risks include exposure to:

- Older residential properties that might require significant investment to meet new insulation requirements
- Coastal properties at risk from land erosion
- Properties on flood plains or lower lying land.

As part of the standard credit approval process, consideration is now given as to whether the value of the security might be affected by some or all of the above factors.

The Bank does not have material exposures to corporate lending and is unlikely to incur direct credit losses through industry displacement. Arkle does undertake motor finance but does not hold any risk on residual values.

At this stage the Board believes that the risk that climate change will affect the long-term viability of the Bank is low, but it will continue to deepen and refine its analysis of such risks in the future.

**Outlook**

The Weatherbys family of companies celebrated its 250th anniversary in 2020. They have proved resilient across the centuries and whilst the outlook in 2023 is still difficult to predict the Banking Group is well capitalised, operationally robust and staffed by exceptional people. The Board is confident that the Banking Group will support all its customers for many years to come.

Approved by the Board and signed on its behalf by:

**RN Weatherby**
Director

24 April 2023

# Responsible business: our people

Our people are critical to our success, and we want them to be successful both individually and as a team. Our aim is to continue to attract, retain, develop and motivate the right people. We strive to explore every opportunity to improve our working environment to ensure we remain an employer of choice.

**LIVING WAGE EMPLOYER**

In 2022, we were accredited as a Living Wage Employer, all our employees are paid above the national minimum wage. We provide a package of benefits to all employees, including pension auto-enrolment, income protection and a number of wellbeing initiatives irrespective of the employee's role in the Group.

**Attracting new talent**

We are proud of our track record on attracting and retaining the right people to support the growth of our business. We look for people who, of course, have exceptional skills and experience in their given field, but who will also go the extra mile for our clients with great drive and enthusiasm. Within the last 12 months, we have hired 89 new starters across the banking group.

**GENDER SPLIT OF NEW HIRES IN 2022**

Female: 52%
Male: 48%

**Nurturing our people**

Creating an environment where we can nurture our talented employees is important to us.

We have significantly increased the investment in learning and development this year with a new team, improved online learning materials and the introduction of a new in-house platform, WeLearn. This investment will enable employees to self-assess their current and future skills utilising a wealth of online and face-to-face learning solutions. Our investment in learning and development has increased by 150% from 2021.

There have been over 1,000 attendances of workshops covering subjects as diverse as supporting vulnerable clients to presentation skills and management training.

In addition, 71 employees are being sponsored financially to undertake a professional qualification.

Career development is also being supported in other ways including the launch of a mentoring scheme, matching colleagues who want specific support with those more experienced to provide guidance and offer a fresh perspective. During the year, we also launched a Careers Fortnight initiative. This gave employees the opportunity to learn about roles across the business with the goal of encouraging development and progression.

We continued our very successful eight-week intern programme in 2022 providing a small group of talented students with exposure to different parts of the business. They got involved with different projects and departments from banking to finance, compliance and marketing.

**Reward and benefits**

We offer a wide range of benefits for our employees to enjoy including annual bonus, life assurance, various health and well-being benefits and finance and lifestyle choices. Our online rewards platform, Rewards Hub, enables employees to view their total reward statement and obtain discounts from a great range of suppliers.

WHAT OUR PEOPLE SAY

**"Weatherbys is an inclusive place to work, where you can grow and develop regardless of gender."**

Vanita Lavin

In addition to the core benefits package, there have been a number of informative events on a range of subjects including financial well-being, which were directly linked to the cost of living and inflation challenges in 2022. There were also fun initiatives including the annual Race Days which strengthen our culture of collaboration.

### Promoting and supporting employee well-being

A key priority for us in 2022 has been to support our employees across a range of well-being topics which has resulted in investment in on-site Mental Health First Aiders across all sites. This complements the services available in our benefits platform where people can engage with support in a variety of different ways.

This increased support was acknowledged by employees in our engagement survey which received a score of 76.6 and is a stand-out score compared to peer group organisations.

### Highlighting success

Over 200 members of staff joined us in September to celebrate the great achievements of others.

Our Brand Value Awards provides employees with the opportunity to nominate a colleague or team who have produced great work and demonstrated our core values. Our first event generated 86 nominations for both individual and team categories.

The awards showcased the fantastic work that people have been doing throughout the banking group and included technology projects such as project Alpha in Arkle to the London office refurbishment, where people came together from all different teams to achieve not only a great working environment but an exceptionally good space for client meetings and events.

### Listening to our colleagues

Colleague engagement at Weatherbys is an important indicator of the health of our overall business and ensures our people feel valued and listened to. At the end of 2022, we conducted our largest ever employee survey capturing the views of our colleagues and establishing a series of recommendation we are committed to addressing. The survey showed overall engagement across the business was high with an 80% completion rate.

### INTERVIEW WITH CHARLOTTE LAWSON-LOOMES, OPERATIONS MANAGER FOR ARKLE FINANCE

**Q: What is your role at Weatherbys?**
I am an Operations Manager for Arkle Finance. I manage the Sales Support, Pay-outs and Customer Service teams.

**Q: How long have you been with the business?**
I have worked here for six years and have been with Arkle for just over three of those years.

**Q: How have you been supported to build your career at Weatherbys?**
Since joining Arkle, my career has flourished. Arkle have supported me to grow in the organisation alongside bringing up my young family. This has included flexible working arrangements when I came back from maternity leave as well as funding for external qualifications. The senior management team within Arkle have always backed me, provided opportunities for my development, and built my confidence even when I haven't felt so confident in myself.

**Q: What do you feel are the benefits of having empowered women in an organisation?**
I think that empowered women will be happier and more secure in their roles, feel confident to use their voice and will be more likely to take control of their careers. In turn, leadership teams will become more diverse as more women take senior roles. Organisations will benefit from different viewpoints and will create a more inclusive environment for employees to develop and grow in.

**Q: How do you empower yourself and the women around you?**
Asset Finance is a male dominated area so I try to make sure the women in my team feel like they have a place in the industry and show them that there is a path they can take with Arkle to build a successful career. I support the women in my teams to push themselves to achieve their potential and give them autonomy within their roles to feel in control. We have regular conversations about their personal development and how I can help them to achieve their career goals.

Charlotte Lawson-Loomes, Operations Manager for Arkle Finance

# Creating a better tomorrow: our responsible business strategy

We believe that running a good business, creating jobs and contributing to the economic success of the areas in which it operates, is a platform for good corporate social responsibility.

**"Sustainability is a key priority for Weatherbys and we are currently developing key performance indicators and long-term targets for the Group."**

Mark Slaviero
Marketing Director

RESPONSIBLE BUSINESS PILLARS

In 2022, we identified the three core pillars of our sustainability strategy:

**1. Sustainability**
We are committed to playing an active role in the climate crisis by addressing our personal impact, and by investing in carbon removal.

**2. Creating the Future**
We utilise our connections to amplify and spotlight innovation and positive change that will shape our future for the better and create catalyst conversations.

**3. Giving back**
We invest in charities and projects that are addressing the issues our world faces today, creating a brighter future for the next generation. We build meaningful connections that engage our staff and show the heart of Weatherbys.

## 1 Sustainability

**In order to achieve our goals, we recognise that we need to operate in a sustainable manner and have therefore adopted core principles in our business operations providing a framework for both managing risk and maintaining our position as a good 'corporate citizen'.**

We focus on minimising the environmental impact of all our working practices and have pledged to:

- Reduce consumption
- Reduce and recycle waste
- Choose materials from recycled or known sustainable sources
- Reduce our greenhouse gas emissions
- Convert our commitment into action

New well in Malawi funded by staff and the charitable foundation in partnership with charity: water

## 2 Creating The Future

**Creating The Future is our flagship conference and series of events. We hold an important role not only as a trusted adviser to our clients in their financial affairs but also help stimulate broader discussion and debate around important issues affecting future generations.**

Creating The Future explores some of the world's most challenging and exciting issues: how to bring an end to conflict, the future of money, artificial intelligence, education, regenerative medicine, plastic pollution and climate change. Our events have explored a number of themes including:

- What businesses and governments should do to enable a sustainable future
- How pioneering technology will transform the future of healthcare
- What the future of food looks like and its potential impact on our society and cultural behaviours
- The role of AI and a future information landscape in which fake information is impossible to distinguish from the truth

Weatherbys has a long tradition of giving back to society and we have a commitment to support our staff in engaging with their communities and charities. This social awareness is present throughout the business, from our employees to our clients, our professional connections and the suppliers we use.

Our contribution through the commitment of our people continues to improve lives and build communities.

## 3

## Giving back

**Philanthropy is important to our business, and in 2007 we established the Weatherbys Charitable Foundation in order to support a range of good causes and other UK-based registered charities with a local, national and international reach.**

Over the years, the foundation has helped a number of initiatives including:

- Rehabilitation and mental health support to those in the racing industry
- Therapy for children and young people with life-limiting illnesses or disabilities
- Support to people affected by all forms of autism
- The planting of trees in UK forests
- Delivering clean water, hygiene and improved sanitation to developing countries
- Literacy and business training for communities in the developing world

### CASE STUDY / FEATURE

As a subsidiary of Weatherbys Bank Limited, Arkle Finance strives to provide the highest levels of customer service. It considers clients, introducers and employees as its key stakeholders and seeks feedback from these stakeholders to understand the individual needs of each group and the key characteristics of its products and services and deliver on its values. These values – the 'Weatherbys Way' – underpin every decision at every level as it seeks to protect the Company and contribute to the Group long term.

A vital component of the risk management strategy is portfolio diversity. Arkle supports clients across various industries to acquire and use renewable and low-energy equipment to support their commercial, environmental and sustainability objectives. Specifically, it is a finance provider to multiple Clean Air Zone schemes across the United Kingdom.

Seawilding project funded by the charitable foundation

# The worm has turned: healthy soil means a healthier climate

Weatherbys has reinforced its commitment to becoming net zero by supporting a pioneering sustainable project that could provide a blueprint for farmers across the UK to regenerate farmland to help mitigate the threat of climate change. Speaking at our recent Creating The Future (CTF) event on sustainable farming, Hylton Murray-Philipson from Blaston Farm explains how the project works.

"UK farming is under threat from climate change and Brexit. This decade will be make or break for the future of human life on earth. Our time is running out and we have to stop talking about it and get on with it," he told our client audience at the Creating The Future (CTF) event.

Before World War II, fields around Market Harborough had been grassland, but the Dig for Victory wartime campaign led to decades of intensive farming, which in common with many farmlands across the UK, exhausted its rich soil. Hylton openly admitted that he had been guilty of ignoring the quality of his farm's soil and had noticed the detrimental impact of continuous arable cropping. For example, Blaston Farm had suffered from infestations of black grass, which was becoming immune to chemical applications.

"The issue was soil erosion, not the grass, and its topsoil was going down the river," says Hylton. "Yet, soil is the most valuable thing we have to leave to the next generation."

## Enhancing sustainability, diversifying income

Set against a challenging backdrop for conventional farming – undiversified crop rotations, plateauing yields, an over-reliance on artificial fertilisers and the loss of EU financial support – Blaston has been looking to enhance its sustainability, while at the same time creating diverse revenue streams.

In recent years, the farm has looked to bring its soil back to life by adopting regenerative farming techniques. These include minimal soil disturbance (all crops are now directly drilled), permanent soil cover (which protects the soils and helps the build-up of organic matter) and diverse crop rotations (alongside which it reintroduced livestock grazing and rotational grasses). The farm has also entered into legal agreements that prevent it from ploughing for 10 years.

## Worms have returned

"Brexit forced me to reconsider every aspect of my farming operation, because if you want to be green you have to be in the black," Hylton says. "Today, my farm is taking carbon dioxide out of the atmosphere and putting it back into the soil – and getting paid to do so."

The difference in the quality of the soil is already measurable. "When I used to put a spade in the ground, it was lifeless and smelt awful. Two years later, worms have returned. Our worm count has gone from about seven per square metre to over 50. This indicates that if you respect natural processes, you can put things back," he adds.

## A farming first for carbon certificates

Blaston Farm's strategy is paying dividends – both from a sustainability and financial view. Having undertaken detailed soil analysis, the farm can demonstrate it is now a net sequester of carbon – and it has become the first to generate carbon certificates based on high-density direct soil sampling. The value of the certificates, coupled with Defra's £40 per hectare payment under the Sustainable Farming Incentive (SFI) scheme, will enable it to be financially and environmentally sustainable going forward.

Impact-driven carbon finance company Respira has committed to purchasing all of Blaston Farm's carbon certificates for the current and upcoming production cycles. In turn, Respira will sell the certificates on the voluntary carbon market, offering the potential for companies to compensate for their own ongoing emissions by funding domestic carbon sequestration and improving the sustainability of farms.

Hylton says: "I received a cheque last year that was greater than my payment from Brussels. And carbon has become my second highest source of income after wheat. We've been selling certificates to companies who are interested in being part of this really important, really exciting journey."

## Weatherbys supports Blaston and reduces its carbon footprint

Weatherbys Private Bank and its wider group of companies is continually seeking to reduce its environmental impact. Not only have we committed to becoming net zero, but as trusted advisers to our clients, we also want to stimulate discussion about the key issues that will affect them and future generations of their families.

As part of this commitment, we recently agreed to purchase 500 tonnes of carbon from Blaston Farm. In part, this will help finance the farm's long-term goal of becoming more sustainable, while it could provide the catalyst for other farmers to follow suit by adopting regenerative agricultural techniques.

We are delighted to be supporting this pioneering yet equally important initiative. Without soil, there is no farming – improving its quality and biodiversity is crucial. Soil degradation, water quality and biodiversity loss pose a significant risk to food security and cost the UK about £1.2 billion every year[1]. We need nature-based solutions, which include better land management practices such as soil carbon gains, to provide 30% of the mitigation required by 2030 to keep our global climate goals within reach[2].

There are high hopes that the Blaston Farm project will encourage farmers up and down the country to adopt regenerative practices to restore life to soil and make a decisive contribution to achieving net zero. Hylton says it is "a win-win transaction" because it is good for the soil, good for biodiversity and good for the planet.

We could not agree more. We believe that for sustainability initiatives to succeed they must make sense financially as well as environmentally. This project satisfies both those criteria and supports our mission of stimulating discussion about important issues that will affect future generations.

1 Quota
2 Conservation.org

# Environmental policy statement

One of the Bank's core values is social responsibility, with a fundamental belief in using the success of our business as a force for good.

**This is reflected in our responsible business strategy, which drives actions in three key pillars – sustainability, Creating the Future and giving back.**

At the centre of our sustainability strategy is a commitment to playing an active role in the climate crisis – by addressing our personal impact (through science based targets), and investing in carbon removal projects.

During 2021 we met our initial goal to become carbon neutral and laid out our commitment to becoming net zero, with an ambition to meet this goal before 2030. The Bank is also seeking to gain external accreditation through B Corp who have developed a gold standard in social and environmental impact assessment.

The GHG emissions have been assessed following the GHG Protocol Corporate Standard and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the dual-reporting (market and location-based) approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

The table opposite summarises the GHG emissions for reporting year: 1 January 2022 to 31 December 2022. As a business we have been assessing our carbon emissions since 2020 and have provided this baseline year and last year's assessment results for comparison.

| Scope | Activity | Location-based $tCO_2e$ | Market-based $tCO_2e$ |
|---|---|---|---|
| Scope 1 | Site gas | 41.09 | 41.09 |
| | Company car travel | 1.71 | 1.71 |
| **Scope 1 Sub total** | | **42.80** | **42.80** |
| Scope 2 | Electricity generation | 176.53 | 198.55 |
| **Scope 2 Sub total** | | **176.53** | **198.55** |
| Scope 3 | Computing | 69.85 | 69.85 |
| | Flights | 37.86 | 37.86 |
| | Electricity transmission & distribution | 16.67 | 15.99 |
| | Home working | 8.19 | 8.19 |
| | Paper | 7.80 | 7.80 |
| | Rail travel | 7.23 | 7.23 |
| | Hotel stays | 5.67 | 5.67 |
| | Employee-owned car travel (grey fleet) | 3.93 | 3.93 |
| | Taxi travel | 0.39 | 0.39 |
| | Bus travel | 0.21 | 0.21 |
| | Waste | 0.11 | 0.11 |
| **Scope 3 Sub total** | | 157.91 | 157.23 |
| **Total tonnes of $CO_2e$** | | 377.24 | 398.59 |
| **Tonnes of $CO_2e$ per employee** | | 0.81 | 0.86 |
| **Tonnes of $CO_2e$ per £m turnover** | | 5.89 | 6.22 |
| **Total Energy Consumption (kWh)*** | | 1,004,816 | 1,004,816 |

* Includes UK site electricity, UK site natural gas, company owned vehicles, and employee-owned vehicles (grey fleet).

The Bank has undertaken a number of key strategic changes and decisions during the 2022 financial year and into 2023. These include:

- Continuing to showcase innovation in the sustainability space through our Future Forum and Creating the Future talks/conferences.
- Continued to support and encourage hybrid working practices post-pandemic, keeping travel emissions low.
- Installation of electric car charging ports at our Wellingborough office.
- Invested in two innovative carbon removal projects – planting seagrass in Scottish lochs and regenerative farming that sequesters carbon into the soil.

During 2023, we will work with our environmental consultancy, Carbon Footprint, to develop a full scope 1,2 and 3 footprint, and set science-based targets for reduction, with aspirations to achieve Net Zero before 2030.

We have also offset 920 tonnes of $CO_2$ through investing in renewable wind energy and UK Tree Planting projects that are verified against the Gold Standard VER/Verified Carbon Standard.

| Activity | Baseline Year 2020 | Baseline Year 2021 | Baseline Year 2022 |
|---|---|---|---|
| Total energy consumed (kWh) | 927,782 | 813,454 | 779,701 |
| Total Gross Location-Based Emissions ($tCO_2e$) | 234.03 | 313.26 | 377.24 |
| **Total Gross Market-Based Emissions ($tCO_2e$)** | **334.62** | **185.83** | **398.59** |
| Carbon offsets ($tCO_2e$) | 335 | 186 | 399 |
| **Total Net Market-Based Emissions $tCO_2e$)** | **(0.38)** | **(0.17)** | **(0.41)** |
| Intensity ratio: $tCO_2e$ (gross Scope 1 and 2, market-based) per £m revenue | 3.44 | 2.04 | 6.22 |

The GHG emissions have been assessed following the ISO 14064-1:2018 and GHG Protocol standard and has used the 2021 emission conversion factors published by Department of Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy and Industry Strategy (BEIS). The Company has dual reported both its market and location-based emissions. The operational control approach has been used.


The Future of Farming event

# Governance overview

The Board is committed to achieving high standards of governance, integrity and business ethics.


Weatherbys Bank Limited and its subsidiaries (together the Banking Group) is authorised and subject to prudential regulation and supervision by the Prudential Regulation Authority (PRA) and subject to conduct regulation and supervision by the Financial Conduct Authority (FCA). The PRA and the FCA also apply the Senior Managers and Certification Regime (the SMCR) which imposes a regulatory approval, individual accountability and fitness and propriety framework in respect of senior or key individuals within the Banking Group. The Bank maintains a Management Responsibilities Map which describes its management and governance arrangements in line with the requirements and expectations of the UK SMCR.

### Introduction from the Chairman

**The Banking Group is fully committed to developing the strategy of the business and providing effective governance and leadership. The Banking Group is supported by appropriate governance arrangements and committee structures which create a solid base for effective governance, well-informed decision making, accountability and strategy setting.**

The Board sets the appropriate tone and culture from the top and ensures that this is cascaded and embedded throughout the Group. It will articulate, embed, and maintain a culture of openness, risk awareness and ethical behaviour for the entire Group to follow in pursuit of its business goals and to ensure compliance with the regulator. It will ensure that the strategy and culture are aligned and act by example to promote that culture.

The Banking Group governance framework continues to evolve as the business and its operations and ambitions develop.

### 1. Board structure

The Board of Directors of Weatherbys Bank Limited is appointed by the relevant shareholders to manage the affairs of the Group and is the senior decision-making forum that sets the Group's strategy for achieving long-term success.

The Board comprises four Non-Executive Directors who are considered fully independent, and three Executive Directors, one of whom is a founder. The composition of the Board ensures there is appropriate knowledge, diversity and experience to deliver the appropriate oversight and independent challenge of the executive and senior management.

### 2. The remit of the Board Committees

The Board Terms of Reference provide that the Board will delegate its authority to certain committees appointed by the Board. These are the Group Audit Committee, the Group Risk Committee, the Group Remuneration and Nomination Committee and the Executive Management Committee. Each of these Committees has its own Terms of Reference setting out in detail its scope, duties, and responsibilities in accordance with good governance and regulatory practice.

# "We believe in doing the right thing. We run our business ethically and with good governance and control."

**Carole Machell**
Non-Executive Director and Chair of the Audit and Risk Committees

A forward-looking agenda programme is planned in advance including deep dives from key parts of the business, regular strategy reviews and updates on significant projects. Meeting agendas focus on matters of key strategic importance and also ensure that Directors are provided with opportunities to understand and declare areas of risk, performance, and controls.

### Group Audit Committee

Chair: Carole Machell

The Group Audit Committee is chaired by a Non-Executive Director and comprises two other Non-Executive Directors and meets quarterly. Also in attendance are two other Executive Directors, the Chief Risk Officer, the General Counsel, and the internal and external auditors.

The Group Audit Committee has primary responsibility for monitoring the integrity of financial statements and regulatory disclosures of the Group. The Group Audit Committee reviews the quality of internal controls ensuring that the financial performance of the Group is properly measured, reported, and audited.

### Group Risk Committee

Chair: Carole Machell

The Group Risk Committee is Chaired by a Non-Executive Director. The Committee comprises two other Non-Executive Directors, two Executive Directors and senior management including the Chief Risk Officer. The Group Risk Committee meets to review all aspects of the Bank's risk exposure as well as its systems, controls, and regulatory environment.

The role of the Group Risk Committee is to provide advice to the Board on risk strategy and oversee the development, implementation and maintenance of the overall risk management governance framework.

### Group Remuneration and Nomination Committee

Chair: David Bellamy, Chairman

The Group Remuneration and Nomination Committee is chaired by the Weatherbys Banking Group Chairman, who is a Non-Executive Director. The Committee consists of the Chair of the Risk Committee and an additional Non-Executive Director.

The Group Remuneration and Nomination Committee ensures that there is a formal and transparent procedure for developing remuneration and nomination policies which promote the long-term sustainable success for the Banking Group.

The Remuneration Committee agrees the remuneration of the Executive Directors and senior management and ensures that those employees falling within the SMCR achieve their risk and conduct objectives following their annual evaluation.

### Executive Management Committee

Chair: Roger Weatherby CEO

The Executive Management Committee (EXCO), manages all aspects of the Banking Group's operations in accordance with the Board's strategic objectives and agreed risk appetite, making recommendations as appropriate to the Board. EXCO develops and implements business plans, policies and procedures that have been recommended to and approved by the Board and identifies and implements any changes required.

EXCO is chaired by the Chief Executive and comprises the Executive Directors and key members of the senior management team which meet monthly to review and discuss all financial and operational issues.

**David Bellamy**
Chairman

24 April 2023

**Committee attendance**

| Attendance | Board | Risk | Audit | Rem/ Nom | EXCO |
|---|---|---|---|---|---|
| **Schedule Meetings** | **6** | **6** | **4** | **2** | **11** |
| David Bellamy | Chair | | | Chair | |
| Carole Machell | Board attendee | Chair | Chair | Board attendee | |
| Dominic Vail | Board attendee | Board attendee | Board attendee | Board attendee | |
| Jane Millar | Board attendee | Board attendee | Board attendee | | |
| Roger Weatherby | Board attendee | Board attendee | | Board attendee | Chair |
| Andrew Turberville Smith | Board attendee | Board attendee | Board attendee | | Board attendee |
| Quentin Marshall | Board attendee | Board attendee | | | Board attendee |

Chair
Board attendee

# Board of Directors

Our Board is chaired by David Bellamy and comprises our CEO, Group Finance Director and Managing Director in addition to three Non-Executive Directors.

**David Bellamy**
Chairman

**Date of appointment**
December 2017

**Committees**
N

**Experience**
David Bellamy joined Weatherbys Bank in 2017 as Chairman. He has worked in financial services since 1973. Prior to joining Weatherbys Bank he was instrumental in the growth of St James's Place Wealth Management.

He was appointed to its Board in 1997 and became CEO in 2007. He oversaw its promotion to the FTSE 100 in 2014. He is also a Non-Executive Director of Singular Private Bank and holds a Non-Executive Board position with Soderberg & Partners, a Swedish Wealth Management business.

**Roger Weatherby**
Chief Executive Officer

**Date of appointment**
June 1994

**Committees**
E

**Experience**
Roger Weatherby became CEO of Weatherbys Bank in 2000. He was educated at Eton College and Sandhurst and has a Master's from London Business School. Before joining Weatherbys, Roger served in The 15th/19th Hussars and worked at Cazenove & Co.

Outside of Weatherbys, Roger held the post of Senior Steward (Chairman) of The Jockey Club from 2014 to 2019 and was Chairman of Racing Welfare from 2005 to 2010. From 2010 to 2013, he was the inaugural chairman of The Racing Foundation. As part of his CEO role, he is a champion for climate change and sustainability and leads the Creating The Future initiative, which brings together experts in diverse fields to stimulate discussion around major issues facing society and our future.

**Quentin Marshall**
Managing Director

**Date of appointment**
January 2016

**Committees**
E

**Experience**
Quentin Marshall is Managing Director of Weatherbys Bank and a member of the Board. He oversees the two core businesses of the Bank, our Private and Racing banks. Quentin joined Weatherbys from Coutts, where he was head of Advisory, and UBS, where he worked in M&A and the Global Family Office team.

In addition to his role at Weatherbys, Quentin is a Councillor in the Royal Borough of Kensington and Chelsea, first elected in 2008. He currently chairs the £1.4bn pension fund and was previously chairman of the planning committee. He is also involved in mentoring young adults in Havering, with six current mentees.

**Carole Machell**
Non-Executive Director

**Date of appointment**
May 2016

**Committees**
A R N

**Experience**
Carole sits as a NED on the Board of Weatherbys Bank and is Chair of the Audit and Risk Committees. Carole held a series of positions at Barclays including Global Head of Operations, Barclays Capital; COO Corporate Banking; Head of the International Corporate Business and COO Barclays Wealth. Prior to joining Barclays, Carole spent eight years at JP Morgan in a range of operational, technology and strategic roles. She has also worked for the Options Market London Exchange, the Swedish Derivatives Exchange and Merrill Lynch. Carole is a chartered accountant and has degrees in classical studies and law from Bristol University and Lancaster Gate. She also has a diploma from Christie's in Fine Art and early in her career set up and ran a successful antiques gallery in New York.

The Board is committed to achieving high standards of governance, integrity and business ethics. We recognise the need to ensure an effective governance framework is in place to give confidence that the business is effectively run and to safeguard outcomes for our clients and other stakeholders.

**Committee membership key**

- ● Chairman
- ○ Member
- **A** Audit Committee
- **R** Risk Committee
- **N** Remuneration and Nomination Committee
- **E** Executive Management Committee

**Andrew Turberville Smith**
Group Finance Director

**Date of appointment**
February 2006

**Committees**
E

**Experience**

Andrew Turberville Smith ACA joined the Board in 2006. Previously he was regional finance director for Towergate Partnership and prior to that he spent 10 years in investment banking with JO Hambro Magan, NatWest Corporate Finance and latterly Hawkpoint Partners. He was a member of the FCA's Smaller Businesses Practitioner Panel for six years until March 2015, acting as chairman for the last two years. He originally qualified as a chartered accountant in 1991 with Price Waterhouse.

**Jane Millar**
Non-Executive Director

**Date of appointment**
July 2022

**Committees**
A R

**Experience**

Jane Millar joined the Board in July 2022. She has worked in financial services for over 30 years in a number of operational and strategic roles.

Jane has extensive experience in digital and operational change and was also responsible for the integration of two major investment management businesses into Investec Wealth & Investment, where she was a board director. More recently, as Chief Executive Officer, Jane developed and launched a digital online investment business, Investec Click & Invest.

**Dominic Vail**
Non-Executive Director

**Date of appointment**
April 2021

**Committees**
A R N

**Experience**

Dominic Vail joined the Board in 2021. He is an experienced banker with over 30 years in the global banking industry who has held senior executive positions in both investment banking and wealth management. He is currently involved in board work within the non-profit sector and sits on the boards of The Optimus Foundation and The Scots Guards Charity. He was a Group Managing Director at UBS AG in the Wealth Management Division and prior to that he worked at UBS Investment Bank.

**Fiona Noonan**
Company Secretary

Fiona is our General Counsel, Company Secretary and Data Protection Officer providing strategic legal advice and governance services for the Board and the Executive across the Weatherbys Group. Fiona has over 25 years of experience as legal counsel and brings considerable transactional and regulatory experience to the senior management team. Before joining Weatherbys in January 2020, she held roles in wealth management at Morgan Stanley and in investment banking at Goldman Sachs. In private practice, Fiona worked at Clifford Chance.

# Report of the Directors
## For the year ended 31 December 2022

**The Directors present their report together with the audited financial statements for the year ended 31 December 2022.**

### 1. Principal activities
The Banking Group ("Group") consists of Weatherbys Bank Limited ("the Bank"), Arkle Finance Limited ("Arkle"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited. It provides banking, wealth management, asset finance, insurance and VAT services. Weatherbys Bank Limited is authorised under the Financial Services and Markets Act 2000 to accept deposits in the United Kingdom. Arkle Finance Limited is authorised by the Financial Conduct Authority to provide consumer credit as defined by the Consumer Credit and Financial Services and Markets Acts.

The Bank is a family-owned bank that provides traditional retail banking services to a client base of predominantly high net worth individuals. Together with private banking and wealth advisory services it provides banking services to racehorse owners and the wider racing industry, asset finance to SMEs, tax and insurance services.

The fair treatment of clients is central to the Bank's culture and remains at the heart of its business model. The Bank's brand vision is to be universally admired for delivering and inspiring new standards in customer service.

### 2. Results and dividends
The financial results for the year are set out in the consolidated income statement on page 40.

Retained consolidated profits for the year amounted to £11.7m (2021: £5.7m). The Board recommended interim ordinary share dividends in the year totalling £0.5m (2021: £0.75m) and a final dividend of £1.5m (2021: £0.5m).

### 3. Risk management and governance
The roots of the Group can be traced back to the original Weatherby family business that was started in 1770. The heritage, reputation and longevity of the business remains a central objective for the family shareholders and as such a conservative approach to risk is adopted in all areas.

The Bank's primary risk management governing body is the Board of Directors. The Board is responsible for:

- Approving the overall level of risk to which the Bank is exposed.
- Approving the framework for reporting and managing risk.
- Ensuring that risk management infrastructure is appropriate and functioning effectively.

The Board discharges these responsibilities through a series of committees that manage all aspects of the Bank's activities. The key committees that report to the Board are:

- Executive Committee (EXCO) – chaired by the Chief Executive and comprising the Executive Directors and key members of senior management which meets monthly to review and discuss all financial and operational issues.
- Asset and Liability Committee (ALCO) – chaired by the Group Finance Director and comprising the Managing Director, Private Banking, the Chief Risk Officer as well as other senior management, it meets monthly to review:
  - Capital allocation and efficiency
  - Liquidity position and profile
  - Capital allocation and risk-adjusted returns
  - Pricing of assets and liabilities.
- Group Risk Committee – chaired by a Non-Executive Director. It also comprises two other Non-Executive Directors, two Executive Directors and senior management. The Committee meets bimonthly to review all aspects of the Bank's risk exposure as well as its systems, control and regulatory environment.
- Group Audit Committee – this comprises three Non-Executive Directors and meets quarterly. Also in attendance are the Chief Risk Officer, the Internal Auditor and two Executive Directors. Its primary role is to ensure that controls are both present and appropriate to mitigate risk in accordance with the Board's expectations.

### 4. Capital management
The Bank is subject to the European Union Capital Requirements Directive and Capital Requirements Regulation, collectively known as "CRD IV", which came into effect from 1 January 2014.

Under CRD IV, banks must hold sufficient capital to protect against two main categories, or "pillars", of risk:

- Pillar 1 – covering those risks common to all organisations – credit, market and operational risk; and
- Pillar 2 – covering those risks specific to an individual organisation.

The Bank's capital is reported in two tiers:

- Tier 1 – comprised of share capital, retained earnings and reserves, known as "Common Equity Tier 1"; and
- Tier 2 – principally comprised of subordinated loan notes and the Bank's collective impairment provisions.

The Bank uses the Standardised Approach to assess credit risk and the Basic Indicator Approach to assess operational risk. The Bank does not have a trading book and therefore exposure to market risk is minimal.

In accordance with regulatory requirements, the Bank performs an annual internal review of its capital adequacy against both Pillar 1 and Pillar 2 risks known as an Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is approved by the Board and reviewed periodically by the PRA.

Where it is assessed that additional Pillar 2 capital is required, this is notified in the form of a firm-specific total capital requirement (TCR) from the PRA.

Consistent with the Bank's conservative risk appetite, the Board has determined that capital headroom must be maintained over and above the TCR set by the PRA. If the capital headroom falls to an internal trigger level, ALCO is required to explain to the Board whether corrective action is required and recommend a suitable course of action.

The Bank is a wholly owned subsidiary of Weatherbys Bank Holdings Limited (WBHL). For regulatory reporting purposes, the Bank's regulatory capital is reported to the PRA on both a consolidated and individual basis.

### 4.1. Capital and leverage ratios

On a consolidated basis, total regulatory capital was £69.1m at 31 December 2022 (2021: £61.7m) against a Total Capital Requirement of £63.9m (2021: £49.6m). The capital requirement encapsulates Pillar 1 and Pillar 2 requirements but excludes the capital conservation and counter-cyclical buffers. This represents a total capital ratio of 14.5%, the same as in 2021.

The total capital ratio is defined as the level of total capital resources as a percentage of total risk weighted assets.

Under CRD IV firms are required to calculate a leverage ratio as an additional non-risk based monitoring tool. This is intended to provide an alternative measure to assess core capital against total assets.

The leverage ratio is defined as the level of Tier 1 capital against balance sheet and off-balance sheet exposures.

At 31 December 2022, the consolidated leverage ratio was 5.30% (2021: 5.60%) against a minimum requirement of 3.25%.

## 5. The Board of Directors

The Directors of the Company during the period and to the date of this report were:

| | | |
|---|---|---|
| D C Bellamy | (Non-Executive Chairman) | |
| R N Weatherby | | |
| A Turberville Smith | | |
| Q N J Marshall | | |
| C Machell | (Non-Executive)* | |
| D Vail | (Non-Executive)* | |
| N J Millar | (Non-Executive)* | Appointed 5 July 2022 |
| Sir Johnny Weatherby | (Non-Executive) | Resigned 8 July 2022 |
| J L Eddis | (Non-Executive)* | Resigned 8 July 2022 |

* Member of the Audit Committee.

Sir Johnny Weatherby and R N Weatherby had interests, as trustees, in 100% of the ordinary shares of the ultimate parent company.

No other Director had any interest in the share capital of the Bank or of any other Group Company, and none of the Directors, or members of their immediate families, were awarded or exercised any right to subscribe for any shares or debentures during the year.

### 5.1. Directors' interest in contracts

Sir Johnny Weatherby and R N Weatherby had interests as Directors of Weatherbys Limited (a company under common control) and in the service contracts between that company and Weatherbys Bank Limited.

No other Director had a material interest at any time during the year in any contract with the Bank of significance, other than a service contract. Further details concerning related party transactions are provided in Note 28 to the financial statements.

### 5.2. Insurance of officers

The Directors have the benefit of the indemnity provisions contained in the Company's Articles of Association, and the Company has maintained cover for directors and officers under Directors' and officers' liability insurance policies. The Company has entered into qualifying third party indemnity arrangements for the benefit of all its Directors within the Banking Group, in a form and scope which comply with the requirements of the Companies Act 2006 and which were in force throughout the year and remain in force.

## 6. Employees

At 31 December 2022 the Banking Group had 371 employees (2021: 302) and the Bank itself had 299 employees (2021: 239).

The Directors give special attention to the health and safety of all employees and endeavour to ensure that as far as possible, the training, career development and promotion of disabled persons is the same as for other employees.

Should employees become disabled, every effort is made to ensure that their employment continues, and appropriate retraining is received.

Regular meetings with employee representatives are held to keep them informed of the development of the business.

# **Report of the Directors** cont.
# For the year ended 31 December 2022

**7. Future developments**
These are discussed within the Strategic Report.

**8. Information presented in other sections**
Certain information required to be included in the Directors' Report can be found in other sections, as stated below. All of the information presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this report.

(1) A description of the Company's financial risk management objectives and policies are set out in Note 27 to these financial statements.
(2) Use of financial instruments are set out in Note 31 to these financial statements.
(3) Post balance sheet events are disclosed in Note 32.

**9. Going concern**
In accordance with their responsibilities the Directors have considered carefully the going concern statement made in Note 1 to the financial statements. The Bank's traditional relationship-based banking model, together with its conservative approach to credit risk, including counterparty risk, and its overall risk management procedures mean that it is built on solid foundations. The wider economic impact from unwinding of quantitative easing, rising inflation, high global interest rates and the war in Ukraine is thought likely to be significant and long-lasting. The Board has assessed future profitability, capital, liquidity and funding, as well as operational factors, conducting a range of stress scenarios for a period of no less than 12 months from the date of signing the financial statements. This included an assessment of arrears levels and loan loss provisioning for the Bank itself and its asset finance subsidiary. The Board is satisfied that the business has adequate financial resources to continue as a going concern for the foreseeable future and accordingly the Directors have continued to adopt the going concern assumption in preparing the financial statements.

**10. Directors' responsibilities**
The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent; and
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

**11. Auditors**
Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

MHA MacIntyre Hudson have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

**R N Weatherby**
Director

24 April 2023

# Report of the Chair of the Group Risk and Audit Committees
## To the members of Weatherbys Bank Limited



**Report of the Chair of the Group Risk and Audit Committees**
Carole Machell, Non-Executive Director, chaired both the Group Risk Committee and Group Audit Committee throughout 2022.

The purpose of the Group Risk Committee is to provide oversight on all matters of risk governance and aspects of managing key business and strategic risks. It is responsible for reviewing Group risk appetite across all risk categories as well as the effectiveness of the Group's risk management framework. The Committee considers all principal risk categories as set out on pages 15 to 17 of the Strategic Report. During the past 12 months its focus has included:

- Review and challenge of operational risk, operational resilience and supplier outsourcing as the Bank moves towards alignment with the PRA's requirements applicable to all banks by March 2025.
- Oversight and challenge of the annual Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process reports to meet the requirements of the Board and the regulator. It has focused on risks inherent in the strategy, the overall capital and liquidity needs assessment and the adequacy of stress and scenario testing.
- Oversight and challenge of the Bank's IT change programme, providing expert advice and counsel to ensure operational resilience obligations and good client outcomes.
- Regular scrutiny of second line reports from compliance across a arrange of subjects including credit risk and mortgage arrears, treatment of vulnerable clients, client suitability assessments, recruitment and on-boarding, anti-money laundering and financial crime, conflicts of interest and whistleblowing.
- Oversight and challenge of the programme of work to meet new Consumer Duty obligations in 2023.
- Monitoring of risk appetite and the ongoing development and embedding of the Group enterprise-wide risk management framework.

The purpose of the Group Audit Committee is to ensure the financial information prepared by the Group is fairly presented and to oversee the delivery of external audit services. The Committee also agrees planned internal audit work that provide important third line assurance across a range of important products, services and risk areas on a rotational basis across a number of years.

Throughout the year the Committee oversees the performance of both internal and external auditors as well as assessing their independence.

From an external audit standpoint, the Committee oversees financial reporting and disclosure as well as monitoring the application of appropriate accounting policies. It was provided with papers prepared by management and from our external auditors that discussed key audit judgements and risk areas. The Committee reached the conclusion that the accounts were fairly presented and recommended the Annual Report to the Board for approval.

During the year, the Committee received a number of reports from PwC in its capacity as internal auditors for the Group. These included reports on mortgage lending, portfolio change management, specific IT project assurance, the ILAAP, internal fraud, IT user management and cyber and IT security. Where material matters are brought to its attention the Committee maintains oversight to ensure that they are appropriately addressed within an agreed timetable.

I recommend this report to the shareholders and ask that you support the resolutions concerning the reappointment of MHA MacIntyre Hudson as auditors.

**Carole Machell**
Chair of the Group Risk and Audit Committees

# Independent auditor's report
## To the members of Weatherbys Bank Limited

For the purpose of this report, the terms "we" and "our" denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Weatherbys Bank Limited. For the purposes of the table on pages 35 and 36 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of Weatherbys Bank Limited and its subsidiaries (the "Group"). The "Parent Company" is defined as Weatherbys Bank Limited, as an individual entity. The relevant legislation governing the Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

#### Opinion

We have audited the financial statements of the Group for the year ended 31 December 2022.

The financial statements that we have audited comprise:

- the Consolidated Income Statement
- the Consolidated Statement of Comprehensive Income
- the Consolidated Statement of Financial Position
- the Company Statement of Financial Position
- the Consolidated Statement of Changes in Equity
- the Company Statement of Changes in Equity
- the Consolidated Statement of Cash Flows
- Notes 1 to 32 to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group's and Parent company's financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Group's and the Parent Company's operations and specifically their business models including the evaluation of how those risks might impact on the available financial resources for the Group and the Parent Company.
- Making enquiries of the Directors to understand the basis for the period of assessment, the assumptions they considered and their implication on the Group's and Parent Company's future financial performance, liquidity, and capital adequacy.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Liquidity considerations including examination of the Group's and Parent Company's cash flow projections and liquidity risk management in view of its regulatory requirements.
- Understanding and evaluating the current and forecast financial position, regulatory capital adequacy and liquidity, including internal stress tests performed on these.
- Evaluation of the strategic plans of the Group and Parent Company, and the supporting financial forecasts.
- Reading regulatory correspondence, minutes of meetings of the Audit Committee and the Board of Directors and performing post balance sheet events' review to identify events of conditions that may impact the Group's and Parent Company's ability to continue as a going concern
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent 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.

Overview of our audit approach

| | | | |
|---|---|---|---|
| **Scope** | • Our audit was scoped by obtaining an understanding of the Group, including the Parent Company, and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.<br>• We identified significant components based on their significance to the Group balance sheet and operations. We performed full scope audit work on the Parent Company and 1 significant component. The 2 components not deemed significant, were subject to analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information. | | |
| **Overall materiality** | 2022 | 2021 | |
| Group | £625,000 | £400,000 | 1% (2021: 0.76%) of net assets |
| Parent Company | £504,000 | £336,000 | 1% (2021: 0.80%) of net assets<br><br>In the current period we have used 1% of net assets to determine materiality after benchmarking against other similar entities. |
| **Key audit matters** | | | |
| **Recurring** | • Provision for bad and doubtful debts | | |

### 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 matters 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.

### Provision for bad and doubtful debts

| | |
|---|---|
| **Key audit matter description** | At 31 December 2022 the Group reported total gross loans of £779.1m (2021: £748.2m) and £3.6m (2021: £3.6m) of provision for bad and doubtful debts.<br><br>Determination of the provision for bad and doubtful debts is a judgement-based area and is subject to management override risk. This could lead to the impairment provision being materially misstated in the financial statements.<br><br>In the period, the Group has implemented a new provisioning model for receivables held under finance lease and hire purchase agreements. The model attributes a recoverability rating based on the type of asset financed, credit profile of the borrower and other credit enhancements to assess the level of impairment of the loan in distress.<br><br>The key areas of judgement in determining the provision for bad and doubtful debts for the Group are:<br><br>• The Parent Company has limited loss history therefore there is significant management judgement and estimation involved in determining the collective provision in the loan assets held by the Parent Company.<br>• Recoverability ratings are a key input in the model used to calculate provisions for receivables under finance lease and hire purchase agreements. Determination of such ratings is subject to high degree of management judgement and estimation. |

| | |
|---|---|
| **How the scope of our audit responded to the key audit matter** | Our audit procedures included, but were not limited to:<br><br>**Internal controls:**<br>• We evaluated the design and implementation and tested the operating effectiveness of the key controls operating at Group and Parent Company level in respect of loan origination, loan redemption, arrears monitoring, recovery for non-performing loans and the determination of provision of bad and doubtful debts.<br>• We tested general IT and automated controls over the loan administration systems focusing on automatic interest calculation, allocation of customer repayments and identification of loan arrears.<br><br>**Determination of provision for bad and doubtful debts in respect of loan assets of the Parent Company:**<br>• We tested the mathematical accuracy of the collective provision calculation performed by Management. In doing so we also validated the key inputs of the calculation including testing on a sample basis the credit risk grading of the loans and the assessment of the continued appropriateness of utilising limited customer default experience in determining the collective provision of loans held by the Parent Company.<br><br>**Determination of provision for bad and doubtful debts in respect receivables held under finance lease and hire purchase agreements:**<br>• We obtained an understanding of the new provisioning model for receivables held under finance lease and hire purchase agreements. We evaluated the provisioning model's compliance with the requirements of FRS 102. In doing so, we also considered the appropriateness of the model in view of the operating model of the Group, specifically the underwriting of new loans and loan recovery methods for non-performing loans.<br>• We performed test of details to test the accuracy of the historical data used by management in the determination of loss rates used in the provisioning model.<br>• For a sample of loans, we validated the accuracy of key inputs into the provisioning model and recalculated the provision.<br>• We tested loan arrears to identify any loans that might need to be provided for on an individual basis, other than utilising the model.<br><br>**Financial statement disclosures:**<br>• We tested the data flows used to populate the disclosures and assessed the adequacy of the financial statement disclosures for compliance with the accounting standards. |
| **Key observations communicated to the Audit Committee** | We concluded that the overall provision for bad debts is appropriately stated and the related disclosures are reasonable. |

### Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the Group was set at £625,000 (2021: £400,000) which was determined on the basis of 1% (2021: 0.76%) of the Group's net assets. Materiality in respect of the Parent Company was set at £504,000 (2021: £336,000), determined on the basis of 1% (2021: 0.8%) of the Parent Company's net assets. Net assets was deemed to be the appropriate benchmark for the calculation of materiality as this is a key area of the financial statements because this is the key metric for they key users of the financial statements being the owners of the Group and the regulatory authorities.

Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Performance materiality for the Group was set at £438,000 (2021: £281,000) and at £353,000 (2021: £235,000) for the Parent Company which represents 70% (2021: 70%) of the above materiality levels.

The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.

We agreed to report any corrected or uncorrected adjustments exceeding £20,000 and £17,000 in respect of the Group and Parent Company respectively to the Audit Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

### Overview of the scope of the Group and Parent Company audits

Our assessment of audit risk, evaluation of materiality and our determination of performance materiality sets our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. This assessment takes into account the size, risk profile, organisation / distribution and effectiveness of group-wide controls, changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the consolidated financial statements, and to ensure we had adequate quantitative and qualitative coverage of significant accounts in the consolidated financial statements we identified Weatherbys Bank Limited (the "Bank") and Arkle Finance Limited ("Arkle") as the entities which represent the principal business units within the Group. A full scope audit was performed on the Bank and Arkle.

The 2 components not deemed not to be significant, were subject to analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information.

### The control environment

We evaluated the design and implementation of those internal controls of the Group, including the Parent Company, which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls over lending, customer deposits, bank and cash reconciliations, interest and interest expense.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment.

### Climate-related risks

In planning our audit and gaining an understanding of the Group and Parent Company, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation relating to management's assessment and held discussions with management to understand their process for identifying and assessing those risks. We have agreed with managements' assessment that climate-related risks are not material to these financial statements.

### Reporting on 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.

# **Independent auditor's report** cont.
## To the members of Weatherbys Bank Limited

**Strategic Report and Directors' Report**
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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

**Auditor 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 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 financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

**Identifying and assessing potential risks arising from irregularities, including fraud**
The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Group's and Parent Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, UK tax legislation or those that had a fundamental effect on the operations of the Company including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

- We enquired of the Directors and management, compliance, risk and internal audit, audit committee concerning the Group's and Parent Company's policies and procedures relating to:
  - identifying, evaluating and complying with the 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 had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's and Parent Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates.

### Audit response to risks identified

In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Group and Parent Company's board, audit committee meetings, inspection of the complaints register and inspection of regulatory correspondence and correspondences from HMRC and the regulators PRA and the FCA;
- Audit procedures performed by the engagement team in connection with the risks identified included:
  - evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - Testing journal entries and other adjustments for appropriateness including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations and reviewing accounting estimates for bias;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates, and
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- The Parent Company operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

### Other requirements

We were appointed by the Directors on 17 January 2022 to audit the financial statements of the Group for the year ended 31 December 2022. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Group or the Parent Company, and we remain independent of the Group and the Parent Company in conducting our audit.

### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Rakesh Shaunak FCA, CTA**
(Senior Statutory Auditor)
For and on behalf of MHA MacIntyre Hudson Chartered Accountants and Statutory Auditor

6th Floor
2 London Wall Place
London
EC2Y 5AU

24 April 2023

# **Consolidated income statement**
## For the year ended 31 December 2022

| | Note | **2022 £000** | **2022 £000** | 2021 £000 | 2021 £000 |
|---|---|---|---|---|---|
| **Interest receivable** | | | | | |
| – Interest receivable arising from debt securities | | **2,642** | | 655 | |
| – Other interest receivable and similar income | 7 | **51,278** | | 35,361 | |
| Interest payable | 8 | **(4,733)** | | (3,996) | |
| **Net interest income** | | | **49,187** | | 32,020 |
| Fees and commissions receivable | | **5,862** | | 5,118 | |
| Fees and commissions payable | | **(546)** | | (493) | |
| Other operating income | | **3,526** | | 3,130 | |
| | | | **8,842** | | 7,755 |
| **Operating income** | | | **58,029** | | 39,775 |
| Gain on value of derivatives | | **76** | | 2,362 | |
| Administrative expenses | 5 | **(39,014)** | | (31,654) | |
| Depreciation and amortisation | 4 | **(2,786)** | | (2,402) | |
| Impairment charge on loans and advances | 16 | **(1,400)** | | (1,559) | |
| Share of operating profit in joint venture | 19 | **340** | | 280 | |
| | | | **(42,784)** | | (32,973) |
| **Operating profit, being profit before taxation** | | | **15,245** | | 6,802 |
| Taxation on profit | 9 | | **(3,336)** | | (1,596) |
| **Profit for the financial year** | | | **11,909** | | 5,206 |

All amounts relate to continuing activities.

All of the profit for the period and other comprehensive income are attributable to the owners of the Parent Company.

The notes on pages 47 to 73 form part of these financial statements.

# Consolidated statement of comprehensive income
## For the year ended 31 December 2022

| | Note | Group Banking 2022 £000 | Group Banking 2021 £000 |
|---|---|---|---|
| Profit for the financial year | | **11,909** | 5,206 |
| Revaluation of tangible assets | 14 | **(209)** | 458 |
| Total comprehensive income for the year | | **11,700** | 5,664 |

Items above will not be reclassified subsequently to the Consolidated Income Statement.

# Consolidated statement of financial position
## As at 31 December 2022

| | Note | 2022 £000 | 2022 £000 | 2021 £000 | 2021 £000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Derivative financial assets | 27 | | **9,813** | | 961 |
| Loans and advances to banks | 12 | | **585,221** | | 592,380 |
| Loans and advances to customers | 15 | | **775,573** | | 744,591 |
| Debt securities | 17 | | **207,605** | | 117,625 |
| Investment in joint venture | 19 | | **610** | | 330 |
| Investments | 20 | | **438** | | 542 |
| Intangible fixed assets | 13 | | **6,145** | | 3,154 |
| Tangible fixed assets | 14 | | **11,216** | | 10,747 |
| Other assets | 21 | | **1,711** | | 1,803 |
| Prepayments and accrued income | | | **10,232** | | 3,950 |
| **Total assets** | | | **1,608,564** | | 1,476,083 |
| **LIABILITIES** | | | | | |
| Derivative financial liabilities | 27 | | **472** | | 238 |
| Customer accounts | 22 | | **1,521,191** | | 1,404,601 |
| Other liabilities | 24 | | **7,903** | | 4,568 |
| Accruals and deferred income | | | **6,498** | | 3,876 |
| Subordinated loan | 23 | | **10,000** | | 10,000 |
| **Total liabilities** | | | **1,546,064** | | 1,423,283 |
| **SHAREHOLDERS' FUNDS** | | | | | |
| Called up share capital | 25 | **7,000** | | 7,000 | |
| Revaluation reserve | | **766** | | 975 | |
| Profit and loss account | | **54,734** | | 44,825 | |
| | | | **62,500** | | 52,800 |
| **Total liabilities and equity** | | | **1,608,564** | | 1,476,083 |

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2023.

**R N Weatherby**
Director
Company number 02943300

The notes on pages 47 to 73 form part of these financial statements.

# Company statement of financial position
## As at 31 December 2022

| | Note | 2022 £000 | 2022 £000 | 2021 £000 | 2021 £000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Derivative financial assets | 27 | | **9,813** | | 961 |
| Loans and advances to banks | 12 | | **584,719** | | 591,846 |
| Loans and advances to customers | 15 | | **771,129** | | 744,160 |
| Debt securities | 17 | | **207,605** | | 117,625 |
| Investment in subsidiaries | 18 | | **10** | | 10 |
| Investments | 20 | | **107** | | 211 |
| Intangible fixed assets | 13 | | **5,753** | | 2,649 |
| Tangible fixed assets | 14 | | **10,696** | | 10,314 |
| Other assets | 21 | | **1,336** | | 1,137 |
| Prepayments and accrued income | | | **4,802** | | 2,298 |
| **Total assets** | | | **1,595,970** | | 1,471,211 |
| **LIABILITIES** | | | | | |
| Derivative financial liabilities | 27 | | **472** | | 238 |
| Customer accounts | 22 | | **1,521,563** | | 1,407,636 |
| Other liabilities | 24 | | **8,465** | | 8,659 |
| Accruals and deferred income | | | **5,066** | | 2,727 |
| Subordinated loan | 23 | | **10,000** | | 10,000 |
| **Total liabilities** | | | **1,545,566** | | 1,429,260 |
| **SHAREHOLDER'S FUNDS** | | | | | |
| Called up share capital | 25 | **7,000** | | 7,000 | |
| Revaluation reserve | | **566** | | 831 | |
| Profit and loss account | | **42,838** | | 34,120 | |
| | | | **50,404** | | 41,951 |
| **Total liabilities and equity** | | | **1,595,970** | | 1,471,211 |

The Bank has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The profit for the Company for the year was £10,717,138 (2021: £5,435,060).

The financial statements were approved by the Board of Directors and authorised for issue on 24 April 2023.

**R N Weatherby**
Director
Company number 02943300

The notes on pages 47 to 73 form part of these financial statements.

# Consolidated statement of changes in equity
## For the year ended 31 December 2022

| | Share capital £000 | Revaluation reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|---|
| **1 January 2022** | 7,000 | 975 | 44,825 | 52,800 |
| **Profit for the year** | – | – | 11,909 | 11,909 |
| Other comprehensive expense | | | | |
| Revaluation of tangible fixed assets | – | (209) | – | (209) |
| **Other comprehensive expense for the year** | – | (209) | – | (209) |
| **Total comprehensive income for the year** | – | (209) | 11,909 | 11,700 |
| **Contributions by and distributions to owners** | | | | |
| Dividends | – | – | (2,000) | (2,000) |
| **Total contributions by and distributions to owners** | – | – | (2,000) | (2,000) |
| **31 December 2022** | **7,000** | **766** | **54,734** | **62,500** |
| | | | | |
| **1 January 2021** | 7,000 | 517 | 40,869 | 48,386 |
| **Profit for the year** | – | – | 5,206 | 5,206 |
| Other comprehensive expense | | | | |
| Revaluation of tangible fixed assets | – | 458 | – | 458 |
| **Other comprehensive expense for the year** | – | 458 | – | 458 |
| **Total comprehensive income for the year** | – | 458 | 5,206 | 5,664 |
| **Contributions by and distributions to owners** | | | | |
| Dividends | – | – | (1,250) | (1,250) |
| **Total contributions by and distributions to owners** | – | – | (1,250) | (1,250) |
| **31 December 2021** | 7,000 | 975 | 44,825 | 52,800 |

The notes on pages 47 to 73 form part of these financial statements.

# Company statement of changes in equity
## For the year ended 31 December 2022

| | Share capital £000 | Revaluation reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|---|
| **1 January 2022** | 7,000 | 831 | 34,120 | 41,951 |
| **Profit for the year** | – | – | 10,718 | 10,718 |
| Other comprehensive expense | | | | |
| Revaluation of tangible fixed assets | – | (265) | – | (265) |
| **Other comprehensive expense for the year** | – | (265) | – | (265) |
| **Total comprehensive income for the year** | – | (265) | 10,718 | 10,453 |
| **Contributions by and distributions to owners** | | | | |
| Dividends | – | – | (2,000) | (2,000) |
| **Total contributions by and distributions to owners** | – | – | (2,000) | (2,000) |
| **31 December 2022** | **7,000** | **566** | **42,838** | **50,404** |
| **1 January 2021** | 7,000 | 419 | 29,935 | 37,354 |
| **Profit for the year** | – | – | 5,435 | 5,435 |
| Other comprehensive expense | | | | |
| Revaluation of tangible fixed assets | – | 412 | – | 412 |
| **Other comprehensive expense for the year** | – | 412 | – | 412 |
| **Total comprehensive income for the year** | – | 412 | 5,435 | 5,847 |
| **Contributions by and distributions to owners** | | | | |
| Dividends | – | – | (1,250) | (1,250) |
| **Total contributions by and distributions to owners** | – | – | (1,250) | (1,250) |
| **31 December 2021** | 7,000 | 831 | 34,120 | 41,951 |

The notes on pages 47 to 73 form part of these financial statements.

# Consolidated statement of cash flows
## For the year ended 31 December 2022

| | Note | 2022 £000 | 2021 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit for the financial year before exceptional items** | | **11,909** | 5,206 |
| Adjustments for: | | | |
| Depreciation, impairment, and amortisation of fixed assets | 4 | **2,786** | 2,402 |
| Depreciation, impairment, and amortisation of debt securities | 17 | **443** | 133 |
| Taxation expense | 9 | **3,504** | 1,596 |
| Increase in prepayments and accrued income | | **(6,282)** | (1,055) |
| Decrease/(increase) in trade and other debtors | | **(364)** | 20 |
| Change in fair value of financial instruments | 27 | **(8,619)** | (3,069) |
| Loss on investments | 20 | **104** | 3 |
| (Decrease) in trade and other creditors | 24 | **2,607** | (496) |
| Increase/(decrease) in provisions | | **2,623** | 1,123 |
| (Decrease)/increase in provision for bad and doubtful debts | 16 | **(25)** | (518) |
| Net increase in deposits from customers | 22 | **116,590** | 315,834 |
| Net increase in loans and advances to customers | 15 | **(30,957)** | (65,508) |
| **Cash from operations** | | **94,319** | 255,671 |
| Net taxation paid | | **(2,320)** | (678) |
| **Net cash (used)/generated from operating activities** | | **91,999** | 254,993 |
| **Cash flows from investing activities** | | | |
| Investment in joint venture | 19 | **(280)** | (12) |
| Purchase of investment securities | 17 | **(136,837)** | (22,148) |
| Sale of investment securities | 17 | **46,415** | 38,649 |
| Purchase of intangible/tangible fixed assets | 13/14 | **(6,456)** | (3,939) |
| **Net cash used from investing activities** | | **(97,158)** | 12,550 |
| **Cash flows from financing activities** | | | |
| Equity dividends paid | | **(2,000)** | (1,250) |
| **Net cash used from financing activities** | | **(2,000)** | (1,250) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(7,159)** | 266,293 |
| Cash and cash equivalents at beginning of year | | **592,380** | 326,087 |
| **Cash and cash equivalents at end of year** | 12 | **585,221** | 592,380 |

The notes on pages 47 to 73 form part of these financial statements.

# Notes forming part of the financial statements
For the year ended 31 December 2022



### 1. Accounting policies
Weatherbys Bank Limited is a private company, limited by shares, registered in England and Wales. The company's registered office address is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

The financial statements have been prepared under the historical cost convention, modified to include Derivative Financial assets and Convertible preferred stock at fair value, and in accordance with Financial Reporting Standard 102 (FRS102) applicable in the United Kingdom and the Republic of Ireland and issued by the Financial Reporting Council.

The Bank is applying the provisions of FRS102 section 11 and 12 and has not elected to apply IAS39.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

These financial statements are presented in Pounds Sterling ('£') because that is the currency of the primary economic environment in which the Group operates.

#### Parent company disclosure exemptions
In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical.
- No cash flow statement has been presented for the parent Company.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

In accordance with their responsibilities the Directors have considered carefully the going concern assumption and, for the reasons outlined in the Strategic Report, continue to believe that the Bank's relationship-based traditional banking model, together with its conservative approach to credit risk, including counterparty risk, and its overall risk management procedures mean that it is well placed to prosper. After making enquiries, including review of forecast profit and loss, balance sheet, cash flow, regulatory capital and liquidity requirements for a period of no less than 12 months from the date of signing the financial statements, the Board is satisfied that the business has adequate financial resources to continue as a going concern for the foreseeable future and accordingly the Directors have continued to adopt the going concern assumption in preparing the financial statements.

#### Basis of consolidation
The financial statements of Weatherbys Bank Limited and its subsidiary undertakings are made up to 31 December each year. Intra-group profits are eliminated on consolidation. Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal.

Details of the subsidiary undertakings are given in Note 18.

#### Income recognition
Interest income and interest expense for all interest bearing financial instruments is recognised in "Interest receivable and similar income" and "Interest payable and similar charges" respectively, using the effective interest rates of the financial assets or financial liabilities to which it relates. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instruments, to the net carrying amount.

Fees and commissions receivable or payable that are in the nature of interest and an integral element of the effective rate of the financial instrument are recognised as an adjustment to the effective interest rate and recorded within "Interest receivable and similar income" and "Interest payable and similar charges". Any other fees and commissions receivable are recognised on an accruals basis, when all the contractual obligations have been fulfilled and the underlying services provided.

**1. Accounting policies** cont.

**Provisions and contingent liabilities**

Provisions are liabilities that are uncertain in timing or amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or the Group has a present obligation as a result of past events, but it is not recognised because it is not likely that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to eventuate.

**Leasing and instalment credit agreements**

Hire purchase agreements which are of a financing nature, and assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. All other assets leased to customers are classified as operating lease assets.

Leasing and instalment credit agreements receivable balances are secured by the asset subject to the funding arrangement terms. The Company is not permitted to sell the collateral in the absence of default by the customer.

The net investment in finance leases represents the total minimum lease payments less gross earnings allocated to future periods. Income from finance leases is credited to the profit and loss account using the effective interest rate method to give a constant periodic rate of return on the net investment in the finance lease.

Operating lease assets are reported at cost less depreciation. In the profit and loss account, income in respect of operating lease assets is reported within fees and commissions receivable, and depreciation on operating lease assets is reported within depreciation and amortisation. Provision is made for any impairment in value, any such amount being included in administrative expenses.

Rentals payable and receivable under operating leases are accounted for on the straight-line basis over the periods of the leases. Non-guaranteed residual values in respect of operating lease assets are reviewed regularly and any impairment identified and charged to the profit and loss account.

Income from instalment credit transactions is calculated using the effective interest rate method.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

Translation differences are recognised in the profit and loss account for the period.

**Tangible fixed assets**

Freehold land and buildings are owned by the Bank and comprise of offices and buildings leased to its subsidiaries and other associated companies ("Investment Property") and offices and buildings occupied by the Bank ("Property").

The Bank uses the revaluation method to determine the fair value of land and buildings, which is based on the latest professional market valuation.

Subsequent changes in the fair value of properties are recognised in other comprehensive income and accumulated in equity.

An increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. The decrease of an asset's carrying amount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

## 1. Accounting policies cont.

### Tangible fixed assets cont.

Property valuation reviews are performed with sufficient regularity and granularity to ensure that the recorded fair value reflects or does not appear materially different from the current market value at the end of the reporting period.

Freehold land is not depreciated. Other fixed assets are carried at cost less depreciation. They are depreciated by annual instalments commencing with the month of acquisition at rates estimated to write off their cost less any residual value over their expected useful lives which are as follows:

| | | |
|---|---|---|
| Freehold buildings | – | 50 years straight line |
| Property improvements | – | 5-50 years straight line |
| Plant and equipment | – | 2-20 years straight line |

### Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles over their estimated useful lives, using the straight-line method. It is recognised within depreciation and amortisation in the consolidated statement of comprehensive income. The intangible assets are amortised over the following useful economic lives:

| | | |
|---|---|---|
| Software | – | 3-10 years straight line |

### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Banking Group's taxable profits and its results as stated in the financial statements.

A net deferred tax asset is regarded as recoverable, and therefore recognised, only when, on the basis of all available evidence, it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### Debt securities

Securities intended for use on a continuing basis in the Bank's activities are classified as debt securities and initially recorded at cost.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method. The amortisation of premiums or discounts is included in interest income:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

**1. Accounting policies** cont.

**Debt securities** cont.

c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the non-discount amount of the cash or other consideration expected to be paid or received, net of impairment.

**Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprises cash on hand and demand deposits, and cash equivalents are deemed highly liquid investments that are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition.

**Segmental information**

The Bank's segment reporting is based on the two operating segments that of providing banking and financial services and that of providing asset finance. This business arose wholly within the UK.

**Joint ventures**

The Group's share of the results of its joint venture is included in the Group Income Statement using the equity method of accounting. Investments in joint ventures are carried in the Group Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture.

**Investments in unlisted equity**

Investments in unlisted equity are recognised at cost less impairment. At the balance sheet date the Company assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that an investment has become impaired. This evidence varies and may include indications of financial difficulty or changes in debt structure.

**Pension costs**

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The Group has also nominated a defined contribution stakeholder scheme to which the Group does not contribute.

Pension costs in part relate to contributions in the Weatherbys Pension and Assurance Scheme, a pension scheme providing benefits based on final pensionable pay. Contributions are recharged on the basis of current service period only. The Group is unable to identify its share of the underlying assets and liabilities of this pension scheme and has therefore accounted for its contributions to the pension scheme as if it was a defined contribution scheme. Details of the pension scheme appear in the financial statements of Weatherbys Limited which can be obtained from the Company's registered office at Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

## 1. Accounting policies cont.

### Investment properties
Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

### Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Basic financial instruments, as defined in FRS 102 Section 11, will initially be recognised at the transaction price (including transaction costs). Subsequent measurement will be at the amortised cost of the financial instrument using the effective interest rate method.

Other financial instruments (complex financial instruments) as defined in FRS 102 section 12 will initially be recognised at fair value (including transaction costs). Subsequent measurement will be at the fair value of the financial instruments, recognising changes in fair value as profit or loss.

Financial assets are derecognised when, and only when, a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### Financial assets
The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

#### (a) Fair value through profit or loss
This category comprises only listed equity investments and in-the-money derivatives (see "Financial liabilities" section for out-of-money derivatives). They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated income statement. Other than listed equity investments and derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

#### (b) Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the loans and advances to customers, but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

### Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

### 1. Accounting policies cont.

#### Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For loans and advances to customers, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within provisions for bad and doubtful debts in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of loans and advances to customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group first assesses whether objective evidence of impairment exists individually for financial assets or collectively for a group of financial assets.

(a) Individual assessment

For individually assessed assets, the Group measures the amount of the impairment loss as the difference between the carrying amount of the asset and the present value of the estimated future cash flows from the asset discounted at the asset's original effective interest rate.

(b) Collective assessment

The Group's loans and loans and advances to customers and other receivables and cash and cash equivalents in the consolidated balance sheet are assessed as to whether there is evidence to suggest that any portfolio is likely to be impaired.

Impairment is calculated based on probability of default, exposure to loss at the time of default and the loss given default. All factors are based on recent data on the portfolio of financial assets with similar credit risks.

#### Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

(a) Fair value through profit or loss

This category comprises only out-of-the-money derivatives (see "Financial assets" for in-the-money derivatives). They are carried in the consolidated statement of Financial Position at fair value with changes in fair value recognised in the consolidated income statement.

(b) Other financial liabilities

Other financial liabilities include the following items:

- Payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

#### Hedge accounting

The Group has entered into variable to fixed interest swaps to manage its exposure to interest rate cash flow on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, the derivatives are recognised at fair value through the consolidated income statement.

#### Reserves

The Group's reserves are as follows:

- Called up share capital reserve represents the nominal values of shares issued.
- Profit and loss account represent cumulative profit and losses net of dividends paid and other adjustments.
- Other reserves represent revaluation adjustments of the property.

## 2. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Group's accounting policies

In the course of preparing the financial statements, no judgments have been made in the process of applying the Group's accounting policies, other than those involving estimations outlined below, that have had a significant effect on the amounts recognised in the financial statements.

### Sources of estimation uncertainty

- Amortised cost accounting – expected life

Amortised cost accounting requires judgements regarding the expected life of the underlying assets. The expected life of assets is derived using a combination of historical data and management judgement and is reviewed periodically and reassessed against actual performance. Any changes to the expected life would alter the timing of the recognition of interest receivable and amend the carrying value of loans and advances to customers as stated in the statement of financial position.

- Impairment losses on loans and advances to customers

The Bank reviews its loans and advances continually to assess whether an individual impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed and found not to be impaired are assessed within groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and is calculated using credit risk characteristics, expected cash flows and historical experience. Estimates are made on default rates and time taken to recover debts.

## 3. Segmental analysis

Analysis by operating segment of operating income and profit before tax is stated below.

| | Operating Income | | Profit before tax | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| Banking and financial services | **47,732** | 31,154 | **13,762** | 6,423 |
| Asset finance | **10,297** | 8,621 | **1,483** | 379 |
| | **58,029** | 39,775 | **15,245** | 6,802 |

Analysis by operating segment of assets and liabilities is stated below.

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| Banking and financial services | **1,398,407** | 1,312,761 | **1,347,189** | 1,270,270 |
| Asset finance | **210,157** | 162,723 | **198,875** | 152,414 |
| | **1,608,564** | 1,475,484 | **1,546,064** | 1,422,684 |

No geographical analysis is presented as all operations are situated in the United Kingdom.

# **Notes forming part of the financial statements** cont.
For the year ended 31 December 2022

### 4. Operating profit

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| This is arrived at after (crediting)/charging: | | | | |
| **Income** | | | | |
| Rentals receivable under operating leases (plant and equipment) | **(205)** | **–** | (183) | – |
| Rentals receivable under operating leases (property) | **–** | **–** | – | – |
| **Charges** | | | | |
| Depreciation on tangible fixed assets: | | | | |
| – Owned assets (Note 14) | **2,217** | **1,967** | 1,967 | 1,726 |
| Amortisation of intangible assets (Note 13) | **569** | **419** | 435 | 320 |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Auditor's remuneration: | | |
| – Fees payable to the Company's auditor in respect of the Company's annual financial statements | **136** | 187 |
| – Fees payable in respect of the audit of subsidiary companies, pursuant to legislation | **65** | 52 |
| Total audit fees | **201** | 239 |
| – Other services | **–** | – |
| Total fees | **201** | 239 |

### 5. Administrative expenses

| Staff costs (including directors) consist of: | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Wages and salaries | **19,072** | **16,183** | 14,561 | 11,949 |
| Social security costs | **1,947** | **1,598** | 1,598 | 1,311 |
| Pension costs | **1,977** | **1,755** | 1,641 | 1,428 |
| IT operations and development | **3,971** | **3,456** | 3,958 | 3,649 |
| Other administrative expenses | **12,047** | **8,737** | 9,896 | 6,713 |
| | **39,014** | **31,729** | 31,654 | 25,050 |

The average number of persons employed in the Group during the year was 340 (2021: 296) and in the Bank 273 (2021: 233).

#### Pension costs

An amount of £1,977,461 was recognised as an expense for the defined contribution plans in 2022 (2021: £1,640,910). Pension costs in part relate to contributions to the Weatherbys Pension and Assurance Scheme. Contributions are recharged on the basis of the current service period only.

The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit section of the Weatherbys Pension and Assurance Scheme and hence under FRS102 section 28 accounts for its contributions to the defined benefits section of the pension scheme as if it was a defined contribution scheme.

### 6. Directors' remuneration

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Emoluments | **1,966** | 1,426 |
| Pension contributions | **144** | 150 |
| | **2,110** | 1,576 |

The emoluments of the highest paid director were £670,766 (2021: £513,615) and defined benefit pension contributions of £118,339 (2021: £83,720) were paid on their behalf.

Two of the Directors of the Group have retirement benefits accruing under a money purchase pension scheme (2021: two).

One of the Directors of the Group have retirement benefits accruing under a Defined Benefit pension scheme (2021: two).

### 7. Other interest receivable and similar income

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| In respect of: | | | | |
| Loans and advances to customers | **44,299** | **35,598** | 35,128 | 28,000 |
| Loans and advances to banks | **6,979** | **6,979** | 233 | 233 |
| | **51,278** | **42,577** | 35,361 | 28,233 |

Loans and advances to customers for 'Bank' includes interest of £6,331,627 (2021: £5,412,246) relating to the overdraft provided to its subsidiary Arkle.

Loans and advances to customers for 'Group' includes interest of £nil (2021: £nil) on the subordinated loan and other loans provided to its joint venture, Weatherbys Hamilton LLP.

### 8. Interest payable

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Client deposits | **4,733** | **4,709** | 3,395 | 3,395 |
| Other loans and overdrafts | **–** | **–** | 601 | 601 |
| | **4,733** | **4,709** | 3,996 | 3,996 |

# **Notes forming part of the financial statements** cont.
For the year ended 31 December 2022

### 9. Taxation on profit on ordinary activities

| | **Banking Group 2022 £000** | **Bank 2022 £000** | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| **Current tax** | | | | |
| UK corporation tax on profits of the period | **2,760** | **2,327** | 1,523 | 1,292 |
| Adjustments in respect of previous period | **(241)** | **(241)** | (89) | (76) |
| **Total current tax** | **2,519** | **2,086** | 1,434 | 1,216 |
| **Deferred tax** | | | | |
| Origination and reversal of timing differences | **445** | **336** | 66 | 13 |
| Adjustment in respect of prior years | **232** | **232** | 93 | 80 |
| Effect of tax rate change on operating balance | **140** | **106** | 3 | 146 |
| **Total deferred tax** | **817** | **674** | 162 | 239 |
| **Taxation on profit on ordinary activities** | **3,336** | **2,760** | 1,596 | 1,455 |

Factors affecting tax charge for the year:

| | **Banking Group 2022 £000** | **Bank 2022 £000** | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Profit on ordinary activities before tax | **15,245** | **13,478** | 6,802 | 6,890 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax of 19% (2021: 19%) | **2,897** | **2,561** | 1,292 | 1,309 |
| Effects of: | | | | |
| Fixed asset differences | **(41)** | **(31)** | 52 | 52 |
| Expenses not deductible for tax purposes | **356** | **133** | 245 | 77 |
| Income not taxable for tax purposes | **(7)** | **–** | – | (133) |
| Adjustments to tax charge and deferred tax in respect of previous periods | **(9)** | **(9)** | 4 | 4 |
| Remeasurement of deferred tax | **140** | **106** | – | – |
| Tax rate changes | **–** | **–** | 3 | 146 |
| **Total tax charge for the year** | **3,336** | **2,760** | 1,596 | 1,455 |

| | **Banking Group 2022 £000** | **Bank 2022 £000** | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| **Deferred tax** | | | | |
| **Analysis of deferred tax balances** | | | | |
| Fixed asset timing differences | **(1,260)** | **(1,659)** | (451) | (972) |
| Movement in short term timing differences | **420** | **363** | 428 | 350 |
| | **(840)** | **(1,296)** | (23) | (622) |
| Deferred tax asset/(liability) at 1 January | **(23)** | **(622)** | 139 | (383) |
| Charged to the profit and loss account | **(817)** | **(674)** | (162) | (239) |
| **Deferred tax asset/(liability) at 31 December** | **(840)** | **(1,296)** | (23) | (622) |

The corporation tax rate is 19% until 1 April 2023, when it increases to 25%. Deferred tax balances carried forward have been calculated applying a rate of 25%. There is no expiry date on timing differences, unused tax losses or tax credits.

### 10. Profit attributable to the Company

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Profit on ordinary activities after taxation attributable to the shareholder of Weatherbys Bank Limited | **10,717** | 5,435 |

The Bank has taken advantage of Section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company is not presented.

### 11. Dividends

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Equity: | | | | |
| Interim paid | **2,000** | **2,000** | 1,250 | 1,250 |
| Final proposed | **–** | **–** | – | – |
| | **2,000** | **2,000** | 1,250 | 1,250 |

### 12. Loans and advances to banks

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Repayable on demand | **591,955** | **591,453** | 590,867 | 590,333 |
| Remaining maturity: | | | | |
| 3 months or less excluding on demand | **–** | **–** | – | – |
| More than 3 months but less than 1 year | **–** | **–** | – | – |
| Over 1 year but less than 5 years | **–** | **–** | – | – |
| Over 5 years | **(6,734)** | **(6,734)** | 1,513 | 1,513 |
| | **585,221** | **584,719** | 592,380 | 591,846 |

### 13. Intangible assets

| | Banking Group Software £000 | Banking Group Total £000 | Bank Software £000 | Bank Total £000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 January 2022 | 4,968 | 4,968 | 4,289 | 4,289 |
| Additions | 3,560 | 3,560 | 3,523 | 3,523 |
| **At 31 December 2022** | **8,528** | **8,528** | **7,812** | **7,812** |
| **Amortisation** | | | | |
| At 1 January 2022 | 1,814 | 1,814 | 1,640 | 1,640 |
| Charge for the year | 569 | 569 | 419 | 419 |
| **At 31 December 2022** | **2,383** | **2,383** | **2,059** | **2,059** |
| **Net book value** | | | | |
| **At 31 December 2022** | **6,145** | **6,145** | **5,753** | **5,753** |
| At 31 December 2021 | 3,154 | 3,154 | 2,649 | 2,649 |

Intangible assets relate in the main to the cost of core systems.

# **Notes forming part of the financial statements** cont.
For the year ended 31 December 2022

### 14. Tangible assets

| Banking Group | Investment Properties £000 | Properties £000 | Leasehold Property Improvements £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2022 | 2,950 | 1,250 | 1,278 | 11,255 | 16,733 |
| Additions | – | 45 | 727 | 2,158 | 2,930 |
| Disposals | – | – | – | (173) | (173) |
| Revaluation | (230) | (35) | – | – | (265) |
| **At 31 December 2022** | **2,720** | **1,260** | **2,005** | **13,240** | **19,225** |
| **Depreciation** | | | | | |
| At 1 January 2022 | – | – | 250 | 5,736 | 5,986 |
| Charge for the year | – | 56 | 236 | 1,925 | 2,217 |
| Disposals | – | – | – | (138) | (138) |
| Revaluation | – | (56) | – | – | (56) |
| **At 31 December 2022** | **–** | **–** | **486** | **7,523** | **8,009** |
| **Net book value** | | | | | |
| **At 31 December 2022** | **2,720** | **1,260** | **1,519** | **5,717** | **11,216** |
| At 31 December 2021 | 2,950 | 1,250 | 1,028 | 5,519 | 10,747 |

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £99,122,000 (2021: £56,578,000). The amounts are included in loans and advances to customers.

| Bank | Investment Properties £000 | Properties £000 | Leasehold Property Improvements £000 | Plant and equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2022 | 3,075 | 1,125 | 1,278 | 10,044 | 15,522 |
| Additions | – | 45 | 726 | 1,843 | 2,614 |
| Disposals | – | – | – | – | – |
| Revaluation | (145) | (120) | – | – | (265) |
| **At 31 December 2022** | **2,930** | **1,050** | **2,004** | **11,887** | **17,871** |
| Depreciation | | | | | |
| At 1 January 2022 | – | – | 250 | 4,958 | 5,208 |
| Charge for the year | – | – | 236 | 1,731 | 1,967 |
| Disposals | – | – | – | – | – |
| Revaluation | – | – | – | – | – |
| **At 31 December 2022** | **–** | **–** | **486** | **6,689** | **7,175** |
| **Net book value** | | | | | |
| **At 31 December 2022** | **2,930** | **1,050** | **1,518** | **5,198** | **10,696** |
| At 31 December 2021 | 3,075 | 1,125 | 1,028 | 5,086 | 10,314 |

### 14. Tangible assets cont.

#### Assets held under finance leases

The Group has leased offices and buildings on leases which are considered to meet the definition of finance leases and are accounted for accordingly.

#### Freehold and leasehold land and buildings

Freehold and leasehold land and buildings were professionally valued by Berrys Chartered Surveyors, an independent valuer, to fair value at 31 December with subsequent additions at cost.

#### Investment properties

Investment properties, which are all freehold, were revalued to fair value at 31 December, based on a valuation undertaken by Berrys Chartered Surveyors, an independent valuer with recent experience in the location and class of the investment property being valued. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

As set out in Note 4, property rental income earned during the year was £nil (2021: £nil). No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Within one year | **84** | – |
| In the second to fifth years inclusive | **503** | 620 |
| After five years | **–** | – |

If investment property had been accounted for under the historic cost accounting rules, the property would have been measured as follows:

| **Historical cost information** | **2022 £000** | 2021 £000 |
|---|---|---|
| Historical cost of revalued land and buildings | **3,474** | 3,430 |
| Depreciation based on historical cost | **(2,050)** | (1,887) |
| Historical cost net book value | **1,424** | 1,543 |

#### Leased assets – Banking Group

Investment properties with a total cost of £2,720,000 (2021: £2,950,000) and related accumulated depreciation of £nil (2021: £nil) were held for use in operating leases.

Plant and equipment with a cost of £1,074,928 (2021: £994,718) and related accumulated depreciation of £633,157 (2021: £605,891) were held for use in operating leases.

The future minimum lease payments under noncancelable operating leases and the residual value exposures in respect of leased assets held within plant and equipment all of which are expected to be disposed of at the end of the lease term are as follows:

| | **Future minimum lease payments** | | **Residual values expected to be recovered** | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| Within one year | **162** | 152 | **59** | 64 |
| In the second to fifth years inclusive | **228** | 188 | **72** | 64 |
| Later than five years | **–** | – | **–** | – |
| | **390** | 340 | **131** | 128 |

### 15. Loans and advances to customers

| | **Banking Group 2022 £000** | **Bank 2022 £000** | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Repayable on demand | **192,200** | **388,669** | 94,379 | 249,936 |
| Remaining maturity: | | | | |
| 3 months or less excluding on demand | **61,002** | **37,284** | 64,501 | 42,184 |
| 1 year or less but over 3 months | **111,096** | **61,706** | 115,204 | 73,337 |
| 5 years or less but over 1 year | **353,437** | **230,953** | 387,782 | 298,929 |
| Over 5 years | **61,458** | **53,849** | 86,370 | 80,952 |
| Loan loss provision | **(3,620)** | **(1,332)** | (3,645) | (1,178) |
| | **775,573** | **771,129** | 744,591 | 744,160 |

| | **Banking Group 2022 £000** | **Bank 2022 £000** | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Amounts included within the above: | | | | |
| Due from subsidiary undertakings | | | | |
| – Unsubordinated debt | **–** | **196,964** | – | 154,922 |
| Amounts receivable under finance leases | **64,535** | **–** | 48,368 | – |
| Amounts receivable under hire purchase agreements | **93,781** | **–** | 61,289 | – |

### Carrying amount and future minimum lease payments of finance leases and hire purchase agreements at 31 December

| | **Gross investment in the lease** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| Less than one year | **72,114** | 56,558 | **55,928** | 44,556 |
| Later than one year but less than five years | **116,332** | 73,170 | **100,042** | 64,404 |
| Later than five years | **2,560** | 1,332 | **2,346** | 1,237 |
| | **191,006** | 131,060 | **158,316** | 110,197 |
| Less | | | | |
| Unearned finance income | **(30,510)** | (18,549) | | |
| Provision for uncollectable minimum lease payments | **(2,180)** | (2,314) | | |
| **Net investment in leases** | **158,316** | 110,197 | | |

### 15. Loans and advances to customers cont.

**Analysis of individually impaired and non-performing loans and advances**

Non-performing loans are those on which interest is being accrued but placed in suspense or on which interest is not bring accrued.

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Gross amount of loans individually determined to be impaired | | | | |
| – loans and advances before provisions | **6,980** | **79** | 6,914 | 81 |
| – loans and advances after provisions | **4,944** | **–** | 4,656 | – |
| Non-performing loans and advances to customers | | | | |
| – loans and advances before provisions | **6,847** | **–** | 6,372 | – |
| – loans and advances after provisions | **4,896** | **–** | 4,314 | – |

### 16. Provisions for bad and doubtful debts

| | Banking Group Specific £000 | Banking Group Collective £000 | Banking Group Total £000 | Bank Specific £000 | Bank Collective £000 | Bank Total £000 |
|---|---|---|---|---|---|---|
| At 1 January 2022 | 2,258 | 1,387 | 3,645 | 81 | 1,097 | 1,178 |
| New provisions less releases | 1,358 | 42 | 1,400 | 64 | 149 | 213 |
| Write-offs less recoveries | (1,580) | 155 | (1,425) | (65) | 6 | (59) |
| **Cumulative provisions As at 31 December 2022** | **2,036** | **1,584** | **3,620** | **80** | **1,252** | **1,332** |
| New and additional provisions | 1,990 | 192 | 2,182 | 64 | 149 | 213 |
| Releases and recoveries | (632) | (150) | (782) | – | – | – |
| Net charge to profit and loss account | 1,358 | 42 | 1,400 | 64 | 149 | 213 |

Included within the "Banking Group" and "Bank" provisions for bad and doubtful debts is £nil (2021: £nil) that relates to trade debtors. The remaining provisions relate to loans and advances to customers.

| | Banking Group Specific £000 | Banking Group Collective £000 | Banking Group Total £000 | Bank Specific £000 | Bank Collective £000 | Bank Total £000 |
|---|---|---|---|---|---|---|
| At 1 January 2021 | 2,787 | 1,376 | 4,163 | 35 | 939 | 974 |
| New provisions less releases | 1,535 | 24 | 1,559 | 64 | 166 | 230 |
| Write-offs less recoveries | (2,064) | (13) | (2,077) | (18) | (8) | (26) |
| Cumulative provisions As at 31 December 2021 | 2,258 | 1,387 | 3,645 | 81 | 1,097 | 1,178 |
| New and additional provisions | 2,299 | 166 | 2,465 | 85 | 166 | 251 |
| Releases and recoveries | (764) | (142) | (906) | (21) | – | (21) |
| Net charge to profit and loss account | 1,535 | 24 | 1,559 | 64 | 166 | 230 |

### 17. Debt securities

| | 2022 Cost £000 | 2022 Premiums and discounts £000 | 2022 Book value £000 | 2021 Cost £000 | 2021 Premiums and discounts £000 | 2021 Book value £000 |
|---|---|---|---|---|---|---|
| Investment securities | | | | | | |
| At 1 January | **117,218** | **407** | **117,625** | 133,620 | 638 | 134,258 |
| Acquisitions | **136,523** | **315** | **136,838** | 22,248 | (100) | 22,148 |
| Disposals | **(46,415)** | **(234)** | **(46,649)** | (38,650) | 58 | (38,592) |
| Amortisation of discounts and premiums | **–** | **(209)** | **(209)** | – | (189) | (189) |
| As at 31 December | **207,326** | **279** | **207,605** | 117,218 | 407 | 117,625 |

| | 2022 £000 | 2021 £000 |
|---|---|---|
| Market value | **208,247** | 118,058 |
| Unamortised premiums on investment securities | **519** | 1 |
| Unamortised discounts on investment securities | **(659)** | 664 |

### 18. Investment in subsidiaries

| | 2022 £000 | 2021 £000 |
|---|---|---|
| **Bank** | | |
| Subsidiary undertakings (non-banking) | | |
| **Shares** | | |
| – Arkle Finance Limited | **10** | 10 |
| – Weatherbys Bank (Nominees) Limited (Unaudited) | **–** | – |
| – Weatherbys General Services Limited | **–** | – |
| Total unlisted | **10** | 10 |

**Bank**

Details of shares in Group undertakings, all of which are included in the consolidation are as follows:

| Name | Country of incorporation | Class of share | Proportion of shares and voting rights held | Nature of business |
|---|---|---|---|---|
| Arkle Finance Limited Company No. 03398034 | England and Wales | Ordinary | 100% | Provision of leasing and instalment credit finance |
| Weatherbys Bank (Nominees) Limited Company No. 04375682 | England and Wales | Ordinary | 100% | Trust company (Dormant) |
| Weatherbys General Services Limited Company No. 08172800 | England and Wales | Ordinary | 100% | Investment in and Partner of Weatherbys Hamilton LLP (Joint venture) |

The registered office of all subsidiaries is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX.

## 19. Investment in joint venture

| Banking Group | 2022 £000 | 2021 £000 |
|---|---|---|
| Investment in equity | **270** | 50 |

| Name | Country of incorporation | Proportion of share | Nature of business |
|---|---|---|---|
| Weatherbys Hamilton LLP | England and Wales | 50% | Provision of insurance mediation services |

The registered office of the joint venture is Sanders Road, Wellingborough, Northamptonshire, NN8 4BX

The joint venture financial statements show an operating profit before partner drawings of £1,216,958 (2021: £1,484,439) for the year and the total aggregate amount of its capital and reserves of £1,342,537 (2021: £1,068,100) as at year-end. This includes £nil (2021: £nil) of members' remuneration charged as interest. The remaining balance was shared amongst the members in accordance with the agreed profit-sharing arrangements of which the Group's share in 2022 was £340,000 (2021: £280,000).

## 20. Investments

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Convertible preferred stock | **107** | **107** | 211 | 211 |
| Investment in unlisted equity | **331** | **–** | 331 | – |
| | **438** | **107** | 542 | 211 |

In 2016, Visa Inc purchased Visa Europe. In part payment for the Bank's membership in Visa Europe it received series B convertible preferred stock from Visa Inc. The earliest this stock will convert to Visa Inc class A common stock is during 2020 and the latest during 2028.

The Group holds a 10% investment in Practical Finance DAC Ltd.

## 21. Other assets

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade debtors | **731** | **161** | 1,000 | 197 |
| Due from subsidiary undertakings | **–** | **626** | – | 488 |
| Due from companies under common control | **2** | **2** | 8 | 8 |
| Deferred tax asset | **–** | **–** | 599 | – |
| Other debtors | **978** | **547** | 196 | 444 |
| | **1,711** | **1,336** | 1,803 | 1,137 |

### 22. Customer accounts

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Repayable on demand | **1,140,217** | **1,140,589** | 1,093,237 | 1,096,272 |
| With agreed maturity dates or periods of notice, by remaining maturity: | | | | |
| 3 months or less but not repayable on demand | **154,193** | **154,193** | 129,938 | 129,938 |
| 3 months to one year | **193,174** | **193,174** | 124,096 | 124,096 |
| 1 year to five years | **33,607** | **33,607** | 57,330 | 57,330 |
| | **1,521,191** | **1,521,563** | 1,404,601 | 1,407,636 |
| Amounts include: | | | | |
| Due to other companies under common control | **4,231** | **3,860** | 4,228 | 7,262 |
| Due to immediate parent company | **–** | **–** | – | – |

### 23. Subordinated loan

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Loan issuance | **10,000** | **10,000** | 10,000 | 10,000 |
| | **10,000** | **10,000** | 10,000 | 10,000 |

During 2018 £10,000,000 of subordinated loans were issued to support the Company's future growth. The loans are repayable on 1 October 2028 and the annual interest payable is 7.5%.

### 24. Other liabilities

| | Banking Group 2022 £000 | Bank 2022 £000 | Banking Group 2021 £000 | Bank 2021 £000 |
|---|---|---|---|---|
| Trade creditors | **3,921** | **4,138** | 1,676 | 5,840 |
| Corporation tax | **920** | **916** | 721 | 733 |
| Deferred tax liability | **840** | **1,296** | 622 | 622 |
| Amounts due to other companies under common control | **98** | **86** | 55 | 45 |
| Dividend payable | **1,500** | **1,500** | 1,000 | 1,000 |
| Other taxation and social security | **624** | **529** | 494 | 419 |
| | **7,903** | **8,465** | 4,568 | 8,659 |

### 25. Authorised share capital

| | Allotted, called up and fully paid | | | |
|---|---|---|---|---|
| | **2022 Number** | 2021 Number | **2022 £000** | 2021 £000 |
| Ordinary shares of £1 each | **7,000,000** | 7,000,000 | **7,000** | 7,000 |

The ordinary shares each carry one voting right and dividend entitlement.

### 26. Commitments

The Group had total commitments of £85,502,581 (2021: £64,720,979). Commitments comprise amounts yet to be drawn under lending facilities issued to customers.

### 27. Risk management policies and objectives

The Board is responsible for determining the long-term strategy of the business and the level of risk acceptable to the Group in each area of its business.

The Risk Committee is responsible to the Banking Group Board for the assessment and control of the high level risks assumed by the Banking Group and for ensuring that the requisite culture, practices and systems are in place to meet both internal and external obligations.

The Assets and Liabilities Committee reviews the allocation and deployment of capital at risk and liquidity risk, taking into account the Group's risk appetite.

The main financial risks arising from the Group's activities are summarised below.

#### Credit risk

Credit risk arises from extending credit in all forms in the Group's banking activities where there is a possibility that a counterparty may default. The maximum credit risk approximates to the carrying value of loans and advances to banks (Note 12), loans and advances to customers (Note 15) and debt securities (Note 17).

The table below shows the Group's credit quality of its treasury assets.

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Loans and advances to banks | **585,221** | 592,380 |
| Debt securities | **207,605** | 117,625 |
| Treasury assets at 31 December | **792,826** | 710,005 |
| By credit grading | | |
| AAA | **739,568** | 672,486 |
| AA | **10** | 10 |
| A | **53,248** | 37,509 |
| Treasury assets at 31 December | **792,826** | 710,005 |

All loans and overdraft applications are assessed with reference to the Group's lending policy. The approval of all loans and overdraft applications is controlled by a Credit Committee within set limits of authority. Transactions above such limits and any changes to policy and procedures require Board approval. The Board is responsible for endorsing treasury counterparties.

The table below shows information on the Group's loans and advances to customers by payment due status.

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Neither past due nor impaired | **768,368** | 737,664 |
| Up to three months overdue but not impaired | **1,023** | 582 |
| Over three months overdue but not impaired | **2,890** | 3,145 |
| | **772,281** | 741,391 |
| Individually assessed as impaired | **6,912** | 6,845 |
| Loan loss provision | **(3,620)** | (3,645) |
| Loans and advances to customers at 31 December | **775,573** | 744,591 |

**27. Risk management policies and objectives** cont.

**Interest rate sensitivity**

The Group is exposed to movements in interest rates and manages this exposure on a continuous basis within value at risk limits set by the Board.

Interest rate sensitivity refers to the relationship between interest rates and net interest income resulting from the periodic repricing of assets and liabilities. The largest single administered rate items in the Bank's Statement of Financial Position are retail loans and deposits, the vast majority of which bear interest at variable rates. The Bank has the ability to reprice its variable rate assets and liabilities subject to the constraints imposed by the competitive situation in the marketplace. Deposits agreed at fixed rates may be, subject to prevailing market rates, matched on the money market in order to mitigate the impact of interest rate movements.

Interest rate risk is measured throughout the maturity bands of the book on a parallel shift scenario for a 200-basis points movement. The current profile of the Statement of Financial Position is such that it results in an adverse impact on the economic value of equity of £769,000 (2021: £914,000) for a positive 2% shift, and a favourable impact of £923,000 (2021: £1,055,000) for a negative 2% movement.

**Operational risk**

Operational risk is the exposure to financial or other damage arising through unforeseen events or failure in the Group's operational systems. Examples include inadequate or failed internal controls and procedures, human error, deliberate or malicious acts including fraud, and business interruptions.

The primary responsibility for identifying and managing operational risk rests with the Group Board. Internal control techniques to reduce their likelihood or impact include segregation of duties, exception and exposure reporting, business continuity planning, reconciliation and delegation of authority and are based on the submission of timely and reliable management reporting. Where appropriate, risk is mitigated by way of insurance with third parties.

**Cyber risk**

An increasing risk that the Group is subject to within its operational processes is cyber risk. This is the risk that the Group businesses are subject to some form of disruption arising from an interruption to its IT and data infrastructure. The Group regularly tests the infrastructure to ensure that it remains robust to a range of threats and has continuity of business plans in place.

**Liquidity risk**

The Group's liquidity risk is monitored by the Assets and Liabilities Committee with the aim of maintaining sufficient liquid resources to cover cash flow imbalances and fluctuations in funding to maintain full public confidence in the solvency of the Group and to meet its financial obligations. The sources and maturities of assets and liabilities are closely monitored and diversified to avoid any undue concentration. A substantial proportion of deposits are made up of current and savings accounts which, although repayable on demand, have traditionally formed a stable deposit base.

**27. Risk management policies and objectives** cont.

Liquidity risk cont.

The Group's maturity analysis of its assets and liabilities as at the year-end are summarised below.

| **At 31 December 2022** | **Not more than three months £000** | **More than three months but not more than one year £000** | **More than one year but not more than five years £000** | **More than five years £000** | **Total £000** |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Derivatives | **–** | **–** | **–** | **9,813** | **9,813** |
| Loans and advance to banks | **591,955** | **–** | **–** | **(6,734)** | **585,221** |
| Loans and advances to customers | **249,424** | **111,139** | **353,545** | **61,465** | **775,573** |
| Debt securities | **112,199** | **7,503** | **87,903** | **–** | **207,605** |
| Other assets | **11,942** | **610** | **–** | **17,800** | **30,352** |
| Total assets | **965,520** | **119,252** | **441,448** | **82,344** | **1,608,564** |
| Liabilities: | | | | | |
| Derivatives | **–** | **–** | **–** | **472** | **472** |
| Customer accounts | **1,140,217** | **154,193** | **193,174** | **33,607** | **1,521,191** |
| Other liabilities | **12,640** | **1,761** | **–** | **10,000** | **24,401** |
| Shareholders' funds | **–** | **–** | **–** | **62,500** | **62,500** |
| Total liabilities | **1,152,857** | **155,954** | **193,174** | **106,579** | **1,608,564** |
| Gap | **(187,337)** | **(36,702)** | **248,274** | **(24,235)** | **–** |
| Cumulative gap | **(187,337)** | **(224,039)** | **24,235** | **–** | **–** |

| At 31 December 2021 | Not more than three months £000 | More than three months but not more than one year £000 | More than one year but not more than five years £000 | More than five years £000 | Total £000 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Derivatives | – | – | – | 961 | 961 |
| Loans and advance to banks | 590,867 | – | – | 1,513 | 592,380 |
| Loans and advances to customers | 155,234 | 115,204 | 387,782 | 86,370 | 744,590 |
| Debt securities | 38,647 | 8,002 | 70,976 | – | 117,625 |
| Other assets | 5,155 | 929 | – | 14,443 | 20,527 |
| Total assets | 789,903 | 124,135 | 458,758 | 103,287 | 1,476,083 |
| Liabilities: | | | | | |
| Derivatives | – | – | – | 238 | 238 |
| Customer accounts | 1,093,237 | 129,938 | 124,096 | 57,330 | 1,404,601 |
| Other liabilities | 7,099 | 1,344 | – | 10,000 | 18,443 |
| Shareholders' funds | – | – | – | 52,801 | 52,801 |
| Total liabilities | 1,100,336 | 131,282 | 124,096 | 120,369 | 1,476,083 |
| Gap | (310,433) | (7,147) | 334,662 | (17,082) | – |
| Cumulative gap | (310,433) | (317,580) | 17,082 | – | – |

### 27. Risk management policies and objectives cont.

#### Regulatory and conduct risk

As a provider of financial services, the Company also faces potential risks arising from failures to meet customer expectations, to deal with complaints effectively and to ensure the products it provides are appropriate to their customer's needs. The Company's internal systems, controls and protocols are designed specifically to protect against such risks. The Company complied with all relevant external capital requirements during the year.

#### Foreign exchange risk

The Group does not have any material foreign exchange exposure.

#### Fair value analysis

The Group's and Company's financial instruments measured at fair value may be analysed as follows:

| | **Group and Company 2022 £000** | Group and Company 2021 £000 |
|---|---|---|
| **Financial assets** | | |
| Forward currency contracts | **–** | 21 |
| Interest rate swaps | **9,813** | 940 |
| Convertible preferred stock | **107** | 211 |
| **Financial liabilities** | | |
| Forward currency contracts | **–** | 10 |
| Interest rate swaps | **472** | 228 |

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Interest rate swaps are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Convertible preference stock is valued at the present value of future cash flows estimated and discounted based on quoted values of the underlying shares, illiquidity and exchange rates.

### 28. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, associates, joint ventures and the Bank's pension schemes, as well as other persons.

The Bank provides banking services to its associates and joint ventures, the Trustees of the Bank's pension fund and to entities under common directorships, providing loans, overdrafts, interest and non-interest bearing deposits and current accounts to these entities as well as other services. All are conducted on the same terms as third-party transactions.

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Income | **70** | 85 |
| Expenditure | **1,380** | 1,559 |
| Companies under common control: | | |
| – Amounts owed by related parties | **2** | 8 |
| – Amounts owed to related parties | **3,936** | 4,273 |
| Pension funds and charitable foundation: | | |
| – Amounts owed by related parties | **–** | – |
| – Amounts owed to related parties | **346** | 357 |

**28. Related party transactions** cont.

Weatherbys Limited ("WL"), Weatherbys Ireland GSB Limited ("WIGSBL"), Weatherbys GSB Limited ("WGSBL") and Weatherbys Hamilton LLP ("WHL") are companies under common control with the Bank. During the year the following transactions were made under normal trading terms and the balances at year-end were as follows:

The Bank charged WL £nil (2021: £nil) for rent of property and WHL £70,313 (2021: £85,162) for services rendered. During 2020 the Bank, as the owner of the property at Wellingborough, agreed a three-year rent holiday for Weatherbys Limited.

Services of £1,379,555 (2021: £1,558,558) were provided by WL.

The Bank also paid WL £nil (2021: £nil) and WGSBL £nil (2021: £7) in interest on deposits held by them.

At 31 December 2022, the Bank held deposited funds of £826,806 (2021: £882,217) on behalf of WL, £10,465 (2021: £9,908) on behalf of WIGSBL, £1,039,157 (2021: £1,075,849) on behalf of WGSBL and £1,983,098 (2021: £2,260,084) on behalf of WHL

At 31 December 2022 the Bank owed WL £76,345 (2021: £45,430) relating to services rendered. At 31 December 2022 WHL owed the Bank £1,652 (2021: £8,260) for services rendered.

The Bank also provides banking services to its subsidiaries and parent, providing loans, overdrafts, interest and non-interest-bearing deposits and current accounts to these entities as well as other services. All are conducted on the same terms as third-party transactions.

| | **2022 £000** | 2021 £000 |
|---|---|---|
| Income | **6,775** | 5,648 |
| Expenditure | **–** | – |
| | | |
| Amounts owed by related parties | **199,189** | 151,417 |
| Amounts owed to related parties | **372** | 3,034 |

Arkle Finance Limited ("AFL"), Weatherbys General Services Limited ("WGS") and Weatherbys Bank (Nominees) Limited ("WNL") are subsidiary companies of the Bank and Weatherbys Bank Holdings Limited ("WBHL") its parent. During the year the following transactions were made under normal trading terms and the balances at year-end were as follows:

The Bank charged AFL £419,302 (2021: £266,997) for services rendered and services of £nil (2021: £nil) were provided by AFL to the Bank.

The Bank paid WBHL £nil (2021: £nil) in interest on deposits held by them and received from AFL £6,355,627 (2021: £5,415,000) in interest on lending facilities held.

At 31 December 2022, the Bank held deposited funds of £17 (2021: £17) on behalf of WBHL, £250,801 (2021: £269,665) on behalf of WGS and £3,684 (2021: £3,684) on behalf of WNL. At 31 December 2022 the Bank was owed £198,444,979 (2021: £148,169,782) for lending facilities provided on behalf of AFL and £626,467 (2021: £486,043) for services rendered and accrued interest.

The key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank (directly or indirectly). The Bank provides banking services to Directors and other key management personnel and persons connected to them. All are conducted on the same terms as third-party transactions. The aggregate amounts outstanding at 31 December are shown below.

| | **2022 Number** | **2022 £000** | 2021 Number | 2021 £000 |
|---|---|---|---|---|
| Loans | **5** | **5,074** | 3 | 4,577 |
| Deposits | **13** | **1,675** | 10 | 3,578 |

The total compensation paid to key management personnel for services provided to the Group was £5,561,508 (2021: £5,106,795).

# **Notes forming part of the financial statements** cont.
## For the year ended 31 December 2022

### 29. Country by country reporting
The Capital Requirement (Country by Country reporting) regulations 2013 require the disclosure on a group basis of corporation tax payments made and public subsidies received. The Group is entirely UK-based and pays all taxes to the UK Authorities.
The Group companies included in the consolidated disclosure and the corporation tax paid are shown below.

| | Jurisdiction | Nature of business |
|---|---|---|
| Weatherbys Bank Limited | UK | Retail banking |
| Arkle Finance Limited | UK | Provision of leasing and instalment credit finance |
| Weatherbys Bank (Nominees) Limited | UK | Trust company (Dormant) |
| Weatherbys General Services Limited | UK | Investment and partner in Joint Venture |

| Jurisdiction | Average number of employees 2022 | Turnover 2022 £000 | Profit or loss before tax 2022 £000 | Cash tax paid on profit or loss during the year 2022 £000 | Public subsidies received during the year 2022 £000 |
|---|---|---|---|---|---|
| United Kingdom | **340** | **58,029** | **15,245** | **2,320** | **–** |

### 30. Ultimate parent company
The Bank's immediate and ultimate parent company is Weatherbys Bank Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of Weatherbys Bank Holdings Limited are the only financial statements into which Weatherbys Bank Limited are consolidated. Copies of these financial statements can be obtained from Sanders Road, Wellingborough, Northamptonshire, NN8 4BX, being the registered address of the ultimate parent company.

The ultimate controlling parties of Weatherbys Bank Limited are three Weatherby family trusts.

### 31. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Company provides financial instruments in the form of leases and loans.

The table below provides a summary of the terms and conditions of the Group's financial instruments and description of respective accounting policies.

| Financial Instrument | Terms and conditions | Accounting policy |
|---|---|---|
| **Derivative instruments** | Fixed interest received/paid converted to variable interest paid/received<br><br>Based on notional value of the derivative | Fair value through profit and loss |
| **Loans and advances to customers** | | |
| Finance Leases | Fixed interest rates<br><br>Fixed term | At amortised cost |
| Hire purchase agreements | Fixed interest rates<br><br>Fixed term | At amortised cost |
| Loans and advances | Fixed and variable interest rates<br><br>Fixed and variable term | At amortised cost |
| **Deposits at Banks** | Non-interest bearing and variable interest rates<br><br>Instant access | At amortised cost |
| **Debt securities** | Fixed and variable interest rates<br><br>Fixed term | At amortised cost |
| **Loans to joint venture** | Variable rate<br>Fixed term | At amortised cost |
| **Loans to Group undertakings** | Variable rate<br><br>Variable term | At amortised cost |
| **Investments in unlisted equity** | Non-interest bearing<br><br>Medium to long term | At cost less impairment |
| **Amounts owed to customers** | Fixed or variable interest rate<br><br>Fixed or variable term<br><br>Short to medium term | At amortised cost |

### 31. Financial instruments cont.

The carrying values of the Group's and Company's financial assets and liabilities are summarised by category below.

| | Banking Group | | Bank | |
|---|---|---|---|---|
| | **2022 £000** | 2021 £000 | **2022 £000** | 2021 £000 |
| **Financial assets** | | | | |
| Measured at fair value through profit or loss | | | | |
| Derivative Financial assets (Note 27) | **9,813** | 961 | **9,813** | 961 |
| Convertible preferred stock (Notes 27 and 20) | **438** | 542 | **107** | 211 |
| Instruments measured at amortised cost | | | | |
| Loans and advances to banks (Note 12) | **585,221** | 592,380 | **584,719** | 591,846 |
| Loans and advances to customers (Note 15) | **775,573** | 744,591 | **771,129** | 744,160 |
| Debt Securities (Note 17) | **207,605** | 117,625 | **207,605** | 117,625 |
| Measured at cost less impairment | | | | |
| Investment in subsidiaries (Note 18) | **–** | – | **10** | 10 |
| Investments in unlisted equity (Note 19) | **610** | 330 | **–** | – |
| Measured at amortised cost | | | | |
| Trade and other debtors (Note 21) | **1,711** | 1,803 | **1,336** | 1,137 |
| | **1,580,971** | 1,458,232 | **1,574,719** | 1,455,950 |
| **Financial liabilities** | | | | |
| Measured at fair value through profit or loss | | | | |
| Derivative Financial liabilities (Note 27) | **472** | 238 | **472** | 238 |
| Instruments measured at amortised cost | | | | |
| Customer accounts (Note 22) | **1,521,191** | 1,404,601 | **1,521,563** | 1,407,636 |
| Measured at amortised cost | | | | |
| Other liabilities (Note 24) | **7,063** | 4,568 | **7,169** | 8,659 |
| Measured at amortised cost | | | | |
| Subordinated Loan (Note 23) | **10,000** | 10,000 | **10,000** | 10,000 |
| | **1,538,726** | 1,419,407 | **1,539,204** | 1,462,533 |

### Fair value hierarchy classification

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

## 31. Financial instruments cont.

The table below summarises the fair values of the Group's and Company's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Group to derive the financial instrument's fair value:

| | Banking Group | | Bank | |
|---|---|---|---|---|
| **Fair value hierarchy** | **2022 £000 Level 3** | 2021 £000 Level 3 | **2022 £000 Level 3** | 2021 £000 Level 3 |
| **Financial assets** | | | | |
| Measured at fair value through profit or loss | | | | |
| Derivative Financial assets (Note 27) | **9,813** | 961 | **9,813** | 961 |
| Convertible preferred stock (Notes 27 and 20) | **107** | 211 | **107** | 211 |
| **Financial liabilities** | | | | |
| Measured at fair value through profit or loss | | | | |
| Derivative Financial liabilities (Note 27) | **472** | 238 | **472** | 238 |

## 32. Non adjusting post Balance Sheet events

There are no post Balance Sheet events.

# Company information

**Directors**

| | |
|---|---|
| D C Bellamy | (Non-Executive Chairman) |
| R N Weatherby | |
| A Turberville Smith | |
| Q N J Marshall | |
| C Machell | (Non-Executive) |
| D Vail | (Non-Executive) |
| N J Millar | (Non-Executive) Appointed 5 July 2022 |
| Sir Johnny Weatherby | (Non-Executive) Resigned 8 July 2022 |
| J L Eddis | (Non-Executive) Resigned 8 July 2022 |

**Secretary and registered office**
F C Noonan
52-60 Sanders Road
Finedon Road Industrial Estate
Wellingborough
Northamptonshire
NN8 4BX

**Company number**
02943300

**Auditor**
MHA MacIntyre Hudson
London
United Kingdom

Design and Production
**www.carrkamasa.co.uk**

ckd

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