WEATHERBYS
BANKING GROUP

ANNUAL REPORT & ACCOUNTS 2023

Founded in 1770, Weatherbys is a family-run business that has evolved over the last 253 years to become a group of companies which include Weatherbys Private Bank, Weatherbys Racing Bank, Arkle Finance Ltd and Weatherbys Hamilton LLP

Financial highlights

£33.1m

Profit before tax
Up 118% from £15.2m in 2022

£822m

Client lending balances
Up 6% from £776m in 2022

£78.2m

Net interest income
Up 59% from £49.2m in 2022

£1,638m

Total assets
Up 2% from £1,609m in 2022

Pictured on front cover: Torrisdale Castle, Campbeltown, Kintyre
www.torrisdalecastle.com


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Visit us online

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

At a glance

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. The Group provides 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 horseracing industry and wider community, asset finance to businesses and tax and insurance broker services.

Exceptional client service

Providing exceptional personal service to our clients is a value that has underpinned our bank throughout our heritage.

78

Net Promoter Score (NPS)

See Client satisfaction feature, page 09

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.

Our three pillars:

- Sustainability
- Creating The Future
- Giving back

carbon footprint standard | Carbon Neutral Organisation

See Our responsible business strategy, page 22

Overview

21,000

Clients

8

Offices throughout the UK

422

Members of staff (2022: 371)

253

Years of the Weatherbys brand

Our values

- Forward Looking
- Individual
- Responsive
- Straightforward
- Trusted

People genuinely care about all our clients and want to do the right thing by them

Quentin Marshall
Chief Executive Officer

WEATHERBYS
BANKING GROUP

BANKING & LENDING

INVESTMENT & WEALTH ADVICE

ASSET FINANCE

RACING BANKING SERVICES

INSURANCE BROKING

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

Chairman's foreword

Leading the Board into the **next phase of development**

As a family-owned bank we can take a generational view, not one focused on short or even medium-term goals that might lead to undue risk exposure

As we announced back in September, I stepped down from Chief Executive after 23 years and, after a brief sabbatical, have stepped up to the role of Chair from 1 March 2024. David Bellamy, our first non-family Chair, has overseen a six-year period of significant growth which culminated in a stellar financial performance in 2023. I would like to express my sincere gratitude to David for his contribution to the business. We have been very fortunate to have such an experienced financial services practitioner at the helm since 2017.

Strong performance

As we have said for many years, we believe that businesses should always be based on sound foundations and during a period of ultra-low interest rates that has persisted for over 15 years we have not sought to chase additional returns that always come with higher risk. As a family-owned bank we can take a generational view, not one focused on short or even medium-term goals that might lead to undue risk exposure. The Group has therefore benefitted more than some of our competitors as interest rates continued to rise in 2023, primarily on the back of enhanced treasury returns from funds held at the Bank of England in line with our "safety first" approach to liquidity management.

Profit before tax amounted to £33.1m, up from £15.2m in 2022 and more detail on the Group's financial performance is covered in the Strategic Report.

Client service

We believe strongly that good businesses need to excel at client service. If we deliver for our clients and put them at the centre of our business, the rest will largely look after itself. With this in mind, we are delighted that our client "net promoter score" increased from 73 to 78, out of 100. It remains one of the highest in the banking sector. We have never needed law and regulations to remind us that clients should be cherished and not taken for granted.

Employee engagement

Alongside exceptional client service, strong businesses also require a loyal, dedicated and hard-working workforce. For many years we have fostered the Weatherbys Way both internally and externally and I was very pleased to read the feedback from our latest staff survey where our cultural engagement score increased from 62 to 66. Our continued success is dependent on our ability to employ exceptional staff who believe in our mission to deliver a truly exceptional service.

Creating the Future

In October we held our fourth Creating the Future event and were delighted with feedback from clients that the event and the speakers provided once again fascinating, insightful and sometimes challenging views. We can all see that societies and governments across the world face significant challenges but we believe too, as individuals, we each have a role to play in securing a sustainable future for the next generation.

Board appointments

Together with changes to my own role, the Board appointed Quentin Marshall to Chief Executive Officer of the Banking Group in September. He joined the Bank in June 2015 and was previously its Managing Director. He brings a wealth of experience and I look forward to working with him as do the rest of the Board. In addition Mark Batten joined the Board as a Non-Executive Director and acts as the senior Independent Director. He has a wide range of financial services expertise and was previously a partner at PwC. He now chairs the Group Audit Committee.

I am very excited to lead the Board into the next phase of the development of the Banking Group and must again offer my sincere thanks to David Bellamy for his leadership, support and counsel.

Roger Weatherby
Chairman
22 April 2024

Chief Executive's report

We put our clients first every time

IN SEPTEMBER I TOOK ON THE ROLE OF CHIEF EXECUTIVE OF THE WEATHERBYS BANKING GROUP. I JOINED THE BUSINESS IN 2015 AND THE BOARD IN 2016.

My prior role was as Managing Director of the Bank and head of our private banking business. Although I have been part of the Group for nearly nine years, I still occasionally feel like the 'new boy'. One of the most striking features of the Group is the longevity and loyalty of so many of our colleagues.

In 2023 the Group posted remarkable financial results. There were many factors that contributed. However, I think the most important of these are the people who work for the company and the deeply pervasive culture they embody. This culture and commitment manifests in people who are willing to go the extra mile and who show such dedication to the business.

The above may read as a eulogy to our people, for which no apologies, but it provides the 'how'. It does not answer the 'why'. The 'why' is also very clear in my mind: to deliver the best outcomes for our clients, across all parts of our business. Liberated from the compromises so often found in modern business life, our team are free to do what is right and to treat our clients as we in turn would like to be treated – perhaps not a new concept but one very often missing, particularly in financial services. I am sure there is more to do and we, like others, get things wrong. But what is so different about Weatherbys is the intent of all those who work in the business. People genuinely care about all our clients and want to do the right thing by them. Instead of building an adversarial relationship, where what is good for the Company must be bad for the client, our relationships are built on the concept of partnership and long termism. We are a family company and perhaps this explains why these features are the foundation of everything we do. In my 'inaugural' CEO report, I feel it is important to start with what really differentiates the business before diving straight into the numbers.

Financial results

In 2023 the Group made a profit before tax of £33.1m (2022: £15.2m). This translated into a Return on Equity of 34.2%, which is undoubtedly a strong result. Our total capital ratio increased to 16.2% and, as importantly, our liquidity ratios also remained incredibly strong with the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio at 896% and 254% respectively (2022: 650% and 260%). In the spring of 2023 we were reminded, with the failure of various American banks, how quickly a bank can face financial difficulties. As a business serving a wide range of clients who rightly expect us to prioritise safety above all else, it is important to headline how conservatively we manage our balance sheet. We lend out just over half of the deposits we raise and then with great care. The balance is kept principally at our account at the Bank of England. Sometimes this may mean we forgo the opportunity for greater profits. However, it also means our financial strength is undoubted. It also means that when interest rates rise, the Bank generates higher revenue, which is one of the reasons our profits grew in 2023.

The business landscape

The danger with reports such as this is that any attempt to diagnose the underlying trends that will inform the business become rapidly dated and all the more so as the year continues to pass. It is also true that in every epoch people think "it's never been as uncertain as today". The history of the world is sadly, or perhaps excitingly, one of continued uncertainty. Political and technological change have been unceasing. Sometimes the world makes great advances. And sometimes, unfortunately, it has reverses. In 2023 we had our fair share of both. The wider geopolitical context was dominated by the war in Ukraine and latterly by the events in the Middle East, both tragedies. For an optimist such as myself, the growing realisation of the opportunities presented by Artificial Intelligence ('AI') sat on the other side of the ledger.

> **We will continue to invest in our people, products and services to meet and surpass our clients' expectations both now and into the future**

While AI will bring disruption, I firmly believe, like every other wave of technological change that has occurred since the Agricultural Revolution and before, it will in the end benefit humanity and lead to progress and better living conditions. We as a Group are exploring how we will take advantage of this great new opportunity. We suspect it will allow us to automate many manual, tedious and internally-facing tasks and to redeploy the time liberated to doing more of what really matters: client service.

Looking forward into 2024, it seems very likely the business cycle will turn after the mildest of recessions in the UK (if the statisticians don't revise it away). Interest rates will likely fall, which will have a direct impact on the Group. There will be elections across the world, including in the UK. While those of us who are political addicts will be transfixed by events here and across the Atlantic, again history shows that the real impact of politics and elections is often less than believed at the time. Only rarely do political events mark great turning points. At least in the UK, it does not feel that we are at some such point, however much we may each have different views on the desired outcome of the election to come.

Our focus will be to see through this external noise and keep doing what we have done for decades: focus on building a better business by continuing to deliver that excellent service to our clients across the Group.

Awards and milestones

In 2023 we were delighted to be recognised as Private Bank of the Year by Spears. More importantly, the recognition from our clients was incredible. Over 99% of our private clients, when surveyed, said they were pleased with the Bank, with a net promoter score of 78 (meaning the vast majority would be willing to refer people to us). We are not complacent about these results: we will endeavour to persuade the 1% so that they too are happy with the Bank.

Technology

Underneath the surface, 2023 was a year of significant technology change for the Bank, much of which was not externally visible. We moved the data hosting for our core platform to a more resilient location and then transitioned to the most up to date software with our technology provider. This process came to a conclusion in February 2024. We continued to invest heavily in ensuring the technology foundations of our business were rock solid. In 2024 this will enable us to start to deliver much more visible change and noticeable improvements for clients and colleagues alike. We have an ambitious investment programme planned for the remainder of this decade. Our strong profitability underpins this investment, with a very large part of our profits ploughed back into delivering better systems and processes for clients and employees alike.

More on people

If our people are the foundation of the success of the business, then it is not surprising this is also a key area for investment and change. We are dedicating ever more resource to training, recruitment and career progression. We are building ever-greater diversity in our workforce by challenging ourselves to go further in how we recruit: we want the best, wherever they may be and however unlikely in the past it might have been for them to join a business such as ours. We are forming partnerships with schools, particularly those located near our offices, and have already seen some great young people join us as a result. We have had a renewed focus on being good citizens in our communities. I really believe in the positive long-term impact this can have, not only on the outside world but also on the company itself. The lessons one learns in the social environment can have a direct and positive read across to business life.

In conclusion

I want to thank all those who make up part of the Weatherbys family: our clients for their continued faith in us as a business and for all the marvellous things they say about our team; my colleagues for their hard work, loyalty and dedication, without which the business would not be where it is; and the Board of Directors, for their wisdom, advice and experience, which has been instrumental to our success. I am very confident 2024 will be another exciting and successful year.

2024 and beyond

Although we cannot be sure what the next economic or political cycle holds, we will continue to invest in our people, products and services to meet and surpass our clients' expectations both now and into the future.

Quentin Marshall
Chief Executive Officer
22 April 2024

Business model and strategy

We consider our **clients and employees** our key stakeholders

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.

> **You are the most heavenly bank in the universe, with huge love and gratitude from your greatest fan**
>
> Dame Jilly Cooper DBE


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Client satisfaction

Our 2023 client survey continues to position us ahead of our peers and other banks. Our clients voice continues to shape the services we provide and influence how they are delivered.

99% of our clients are very or moderately pleased with us overall

98% are very or moderately pleased with the way we communicate

78

This strong net promoter score signals clients are happy to refer us to their friends, family members and colleagues.

99% Strongly agree or agree that we are accessible and responsive

97% of clients feel valued

Client feedback taken from 2023 Weatherbys Private Bank Survey.

Business review

The Board remains committed to the long-term **success of the Banking Group**

Market environment

Rising interest rates was a key theme of 2023. UK Base Rate rose steadily from 3.5% in January 2023 to finish the year at 5.25% as the Bank of England sought to bring inflation under control in line with its mandate from the government. After a sustained period of ultra-low interest rates as a consequence of the financial crash of 2007/8 and more recently, the onset of the coronavirus pandemic in March 2020, businesses and households had to adjust quickly to what would historically have been seen as a more normal interest rate environment.

Against this backdrop annual GDP output grew by 0.1% in the year, following growth of 4.3% in 2022 (source: ONS bulletin December 2023) and UK house prices fell by 1.4% in the 12 months to December 2023 (source: Land Registry).

The Group

New client numbers as well as total lending continued to grow in 2023. The total assets of the Group increased by 2% to £1,638 million (2022: £1,609 million). Lending growth was driven by the Group's asset finance business Arkle, which achieved growth of 20% whilst lending to private clients remained flat across the year as these clients re-evaluated their borrowing needs in the light of the higher rate environment.

On the liability side of the balance sheet private clients switched funds to higher interest term accounts with the proportion in term accounts increasing markedly from 25% to 43% by the end of the year. Total deposits declined slightly by 1% to £1,505 million in line with wider market trends.

The Group ended the year with a loan to deposit ratio of 55% (2022: 51%) and a strong liquidity position.

Over the last 15 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 4.82% from 3.19%, as the Banking Group benefited from the steadily rising Base Rate. Net interest income increased by £29.0 million (59%) to £78.2 million (2022: £49.2 million).

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 £11.3 million (29%), predominantly through increased investment in people and technology. Net staff numbers increased by 51 during the year taking the total up to 422 by the year-end, an increase of 14%. We also spent over £4.7 million on technology, with an extensive change programme across a range of client facing and internal support initiatives.

Approximately 75% 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 credit worthiness and no additional specific provisions have been made reflecting the strong credit quality of such lending.

Arkle, the Bank's asset finance business, grew strongly in 2023 benefitting from its previous investment in both people and technology which allowed it to expand into new segments and build effectively on both new and established broker relationships. It hired a further two staff taking its complement up to 74 at the year-end (+3%) and invested £560k in its technology services. Profit before tax after provisions was £2.6 million (2022: £1.4 million).

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.

Profit before tax for the Group was £33.1 million (2022: £15.2 million). Total shareholders' funds increased by 36% to £85.0 million (2022: £62.5 million). The Group remains well capitalised with a Common Equity Tier 1 ratio of 13.5% (2022: 12.1%), well above the regulatory minimum level of 8%. During the year it raised £3m of Additional Tier 1 capital to support expansion and extended its existing Tier 2 subordinated notes by a further five years. The total capital ratio was 16.2% (2022: 14.5%).

The leverage ratio at the year-end was 7.13% (2022: 5.30%), compared to a minimum level of 3.25%. At the year end the Group held surplus funds of £771 million in gilts, other qualifying liquidity buffer assets including the Bank of England Reserve account, and treasury deposits at well-rated bank counterparties (2022: £793 million).

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, client 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

£33.1m +118%

2023	£33.1m
2022	£15.2

Total shareholders' funds

£85.0m +36%

2023	£85.0m
2022	£62.5m

Net interest income

£78.2m +59%

2023	£78.2m
2022	£49.2m

Net interest margin

4.82%

2023	4.82%
2022	3.19%

Client lending balances

£822m +6%

2023	£822m
2022	£776m

Common Equity Tier 1 ratio

13.5%

2023	13.5%
2022	12.1%

Client deposit balances

£1,505m -1%

2023	£1,505m
2022	£1,521m

Total capital ratio

16.2%

2023	16.2%
2022	14.5%

Loan to deposit ratio

55%

2023	55%
2022	51%

Leverage ratio

7.13%

2023	7.13%
2022	5.30%

Liquidity coverage ratio

896%

2023	896%
2022	650%

Total assets

£1,638m +2%

2023	£1,638m
2022	£1,609m

Net Stable Funding ratio

254%

2023	254%
2022	260%

Business review continued

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 including the competitor landscape and the regulatory environment. In addition, the changing geopolitical landscape caused by the ongoing wars in Ukraine and the Middle East add another layer of uncertainty to economies worldwide. To this can be added the significant worldwide political volatility caused by a year of elections, with at least 64 countries (plus the European Union) going to the polls, representing a combined population of about 49% of the people in the world.

Within the finance sector itself there will be further regulatory changes. A new Strong and Simple regime is under discussion by the Prudential Regulation Authority, there are significant planned changes to prudential regulatory calculations with the introduction of Basel 3.1 scheduled for July 2025 and the industry is still adjusting for the impact of Consumer Duty regulation introduced by the Financial Conduct Authority in 2023.

With regard to new risk weightings proposed under Basel 3.1, the Group expects the impact to be broadly neutral. Higher risk weighting for SME lending will be mostly offset by lower risk weightings against lower loan-to-value residential lending. The planned introduction of the new rules was deferred six months and is now scheduled for 1 July 2025. 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.

Technology continues to evolve and change the way many clients 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 more efficiently.

Award feature

Weatherbys named **Private Bank of the Year 2023**

WEATHERBYS PRIVATE BANK PICKED UP ITS SECOND SIGNIFICANT AWARD IN 2023 HAVING BEEN NAMED UK PRIVATE BANK OF THE YEAR (UK) AT THE SPEAR'S AWARDS 2023.

> **Relationship banking is ever more vital 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, we believe we will come to value the human touch even more**

In making its decision the judging panel highlighted the bank's "enviable" client satisfaction levels and praised how the bank has embraced technology while holding on to its traditional values embedded over its 253-year history of one-to-one relationship banking.

In an excerpt from the award-winners brochure, Spear's wrote: "Client satisfaction levels are enviable and there are signs of modernity everywhere. This ranges from the bank's embrace of new technology and platforms (where half of all profits are now reinvested) to quelling the risk of fraud through educational seminars for clients and the bank's own cybercrime prevention teams. One-on-one time with relationship managers is supplemented with vibrant events, such as 'Creating the Future' conferences which explore a set of 'the world's most challenging and exciting issues'."

Oliver Barnett, Head of Private Clients at Weatherbys Private Bank, said: "We are thrilled to win this award – our second such recognition this year. It is a real testament to all the commitment from our staff – we are all working together to deliver the personal service our clients expect from a family-owned business with a history that stretches back more than 250 years.

The Spear's Awards celebrate excellence in the private client world and have been running for more than 10 years. They acknowledge and honour entrepreneurs, philanthropists and others for their innovation, success and outstanding contribution to the wealth management world and beyond. Other private banks short-listed for the 2023 award included Hampden & Co, SG Kleinwort Hambros and HSBC Global Private Banking.

In the summer of 2023, Weatherbys Private Bank was also named Outstanding Private Bank UK at the Private Banking & Wealth Management Conference & Awards, with the judging panel recognising the outstanding service the Bank delivers to its clients and the strength of its business strategy.

S172(1) statement

AS A PRIVATELY OWNED BANK STRIVING TO PROVIDE THE HIGHEST LEVELS OF CLIENT SERVICE, WE CONSIDER OUR CLIENTS AND EMPLOYEES AS OUR KEY STAKEHOLDERS.

We previously consulted with clients 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 continue to underpin every decision at every level as we seek to protect the Group into the long term.

In December 2023 we held our annual 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. We are also 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 wellbeing 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. We are committed to achieving Net Zero and are actively calculating our 2023 carbon footprint across scope 1, 2 and 3. This comprehensive assessment will provide us with a baseline to guide our Net Zero strategy and target setting for the years ahead.

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 volunteering programme, we provide our staff paid time off to volunteer for causes close to their hearts, and actively encourage all of our colleagues to use these days by providing opportunities with our charity partners around the UK.

We want to promote a better world supporting initiatives that stimulate long-term environmental, social and economic well-being. Aligned with the UN Sustainable Development Goals we have three interlinked areas of focus: planet, people and prosperity. The UN SDGs are global of course, but we also need to look at how they may relate to communities closer to home. As a result, we are proud to announce partnerships with four charities spanning the UK in 2024/25, including national and local charities. The charities, which were chosen by our staff, include three that are close to their offices. The charities are Alzheimer's Research UK, Rock Trust, City Harvest and The Daylight Centre. We also hosted our fourth Creating the Future event in October 2023 where we invited guests, clients and friends, to hear eminent and eloquent experts address some of the most topical issues affecting us now and in the future.

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, clients 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.

Risk and impact	Mitigation
1. 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, client loans are secured principally on residential properties at an average loan to value ratio of approximately 36%.	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.
2. 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 the year end the total capital ratio was 16.2% (2022: 14.5%) and total regulatory capital was £87.8 million against a Total Capital Requirement of £77.7 million. 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.

Principal risks and uncertainties continued

Risk and impact	Mitigation
3. 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 £771 million (2022: £793 million) of which £584 million (2022: £539 million) 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. At the year end the Bank's Liquidity Coverage Ratio and Net Stable Funding Ratio were 896% and 254% respectively (2022: 650% and 260%). The Bank's liquidity position is monitored daily and managed by ALCO.
4. 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 ALCO. The average loan to value ratio for lending secured by residential property is approximately 36% (2022: 35%). 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.
5. 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").	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.

Risk and impact	Mitigation
6. 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.
7. 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.
8. 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.
9. 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.

Principal risks and uncertainties continued

Risk and impact	Mitigation
10. Regulatory & conduct risk	
As a provider of financial services, the Bank also faces potential risks arising from failures to meet client expectations, to deal with complaints effectively and to ensure the products it provides are appropriate to their clients' needs. In addition, it must comply with all banking regulations including compliance with Financial Crime and Anti-Money Laundering laws, as well as all requirements for Consumer Duty.	The Company's internal systems, controls, employee training, and protocols are designed specifically to protect against such risks.
11. 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 as set out below. 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.

Risk and impact	Mitigation
12. 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 four '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 Banking Group does not have material exposures to corporate lending and is unlikely to incur direct credit losses through industry displacement. 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 Banking Group is well capitalised, operationally robust and staffed by exceptional people. As a family business with our history dating back over 250 years we have faced and overcome many challenges together. We will be absolute in our determination to provide exceptional client service and unwavering in our focus on what we can do better. This approach has served the Group well over the centuries and the Board is confident that the Banking Group will support all its clients for many years to come.

Approved by the Board and signed on its behalf by:

Q N J Marshall
Chief Executive Officer
22 April 2024

Responsible business: Our people

Highlights: 2023 Employee survey

93%

Response rate – An increase of 13% on our combined 2022 Bank and Arkle Finance response rate

65.5

Engagement score – This shows the level of engagement across all 52 questions and is an increase of 3.1 from 2022

80.6

Belief Score – this score reflects how confident employees feel action will be taken, which has increased by 10.4 on 2022's result

76.1

Involvement score – This new score for 2023 reflects the extent of employees' involvement in action planning and feedback

81.6

My manager takes a genuine interest in supporting my health and wellbeing (+5)

80.3

If I make a mistake, I am able to have a constructive discussion with my manager about it (+5.3)

80.0

My manager welcomes new ideas and suggestions (+4.6)

79.6

I am proud to be part of the Weatherbys Banking Group (+4)

Engagement

We take the engagement of our employees seriously and are constantly striving to make improvements. We provide our employees with support, advice and encouragement to make the most of their expertise and listen to their feedback. We strive to have an engaged, motivated and empowered workforce that delivers the very best service to our clients.

Our 2023 employee survey has provided us with important feedback and indicators on where we can improve. All departments have been involved in analysing their results and developing strategies to maintain or improve scores. This way, everyone has a voice and can contribute to the success of the business, their roles and team.

Benefits

It is important to us that we provide competitive and relevant benefits for our employees in order to attract and retain the best talent.

We offer a diverse range of benefits to suit individuals' lifestyles and help them plan for their futures. During 2023, we have enhanced benefits to support employees in the following areas:

- Enhanced pension contribution
- A benefits portal to select vouchers and discount options
- Private health cover for the majority of employees
- Race day discounts and tickets
- Enhanced maternity and paternity pay

Learning and development

We are committed to the continuous development of our employees and therefore our learning programmes ensure employees are competent and able to fulfil the needs of their role and potential. We work with employees at all levels to develop their skills through professional qualifications and vocational training courses.

- Number of people completing qualifications – 58 people in 2023
- Amount of training completed – 177 individuals attended a face-to-face training course and 645 digital modules were completed during 2023
- Apprenticeship qualifications started with Chartered Management Institute
- 25 managers and leaders embarked on the Institute of Leadership and Management Level 3 and 5 programmes

Diversity and inclusion

During 2023, we created an Inclusion Working Group, who are committed to supporting Weatherbys in ensuring we continue to attract and retain a diverse workforce. In 2024, we plan to develop a programme of events to help improve engagement and education in this area.

We became a member of Women In Banking and Finance (WIBF) with c. 20 female employees from across the Group gaining access to learning, mentors and support for their career development.

GENDER SPLIT OF TEAM MEMBERS IN 2023

Female: 52%
Male: 48%

Recruitment

We made 150 offers across the bank, Arkle and Weatherbys Hamilton in 2023. This consisted of a mixture of permanent and contractor roles. In addition we supported those early in their careers through a summer internship and work experience programme.

Our early career programmes are a key focus for 2024 and beyond to continue to support the growth of the business ensuring we retain the very best talent for the future. We continue to build great relationships with local educational institutions in each of our locations and are passionate about helping young people into a career in banking and finance.

Employee referrals remain a highly effective source of talent and last year we received over 100 referrals across the bank and Arkle. Eighteen of those were hired and are still working for us today.

Brand values

Every year we recognise employees who have demonstrated our values in the work they have carried out.

We have seven awards categories reflecting our values: Forward Looking, Individual, Responsive, Straightforward, Trusted in addition to a Team of the Year and CEO Award.

In December 2023, over 300 employees celebrated both individual and team successes for those employees who went above and beyond their roles to deliver the 'Weatherbys Way'.

Amelia Newton, Private Banking Executive, receiving the Forward Looking Award from Oliver Barnett, Head of Private Clients.

Creating a better future: Our responsible business strategy

1. Environment

We are committed to helping create a sustainable future for everyone and recognise that to do so, we must operate sustainably. Accordingly, we have adopted several core principles that provide a framework for managing risk and maintaining our position as a good 'corporate citizen'.

During 2023, the Bank implemented several strategic initiatives, which included:

- the recruitment of dedicated resource to head and lead our sustainable development
- showcased sustainable innovation through our Future Forum and Creating the Future talks/conferences
- relaunched our Sustainability Committee to meet bimonthly with representatives from each office location to monitor environmental and energy reducing initiatives and fundraising
- encouraged hybrid working to keep travel emissions low
- invested in carbon accounting software to calculate our scope 1, 2 and 3 emissions
- purchased 100% renewable electricity and implemented plans to switch to 100% renewable energy by 2025*

During 2024, we will work with our carbon accounting partner, Normative, to accurately calculate our full carbon footprint across Scope 1, 2 and 3. We will set a baseline for measuring our progress in future years, highlight carbon emission hotspots and guide target setting and reduction planning in line with science-based targets (SBTs). We will develop a long-term sustainable development strategy including a road map to Net Zero.

*For owned and operated sites.

2. Social responsibility

Our charitable foundation was renamed the Creating The Future Foundation in 2023 and we relaunched our Charity Champions committee. Alongside a new name came a fresh strategy for the Committee based on the United Nations Sustainable Development Goals (SDGs). The Committee will look to embrace partnerships, support the communities in which we operate and to respond to the changing needs of society by being flexible with initiatives and fundraising priorities.

Our purpose is simple – to ensure a brighter future for the next generation, by tackling the challenges of today and those of tomorrow. Aligned with the UN SDGs, our three interlinked areas of focus are PLANET, PEOPLE and PROSPERITY.

- we have launched a new volunteering policy and a match funding policy aimed at strengthening our commitment to giving back to our communities and making a positive impact
- colleagues raised over £17,000 for charitable causes
- colleagues from across the banking group took part in a vote to select our new charity partners for 2024/25

3. Engagement

In 2023, we welcomed the return of in-person events hosting three Creating The Future events: The Future of Farming, The Future of Food and Art, and our flagship Creating The Future one-day conference. Held at the end of October at the Institute of Engineering and Technology (IET), our conference invited renowned keynote speakers to discuss four crucial themes: planet, health, democracy and artificial intelligence (AI).

- more than 1,000 clients attended either in person or online
- 12 renowned speakers
- 83% of attendees polled said they would now act given what they heard on the day
- the planet theme was found the most insightful session of the day, followed by Artificial Intelligence
- 390,000 ocean-bound plastic bottles have been collected through our partnerships with Ocean Bottle and Plastic Bank

Our purpose is simple – to secure a brighter future for the next generation, by tackling the challenges of today and those of tomorrow

Aimee Elliot, Creating the Future Lead at Weatherbys

Environmental, Social and Governance highlights

100%

Purchased 100% renewable electricity and implemented plans to switch to 100% renewable energy by 2025*

83%

of our Creating The Future attendees said they would now act given what they heard on the day

390,000

Ocean-bound plastic bottles have been collected through our partnerships with Ocean Bottle and Plastic Bank

Our new charity partners

Alzheimer's Research UK
This is the first time we have teamed up with a dementia charity, with the decision being made after many of our colleagues shared personal experiences. Dementia affects almost one million people in the UK alone. Tragically, not one of them will survive. Alzheimer's Research UK exists to change that. The charity is striving for a cure by revolutionising the way dementia is treated, diagnosed and prevented. With recent breakthroughs in the search for new treatments, there's never been a more exciting time to join forces with the charity.

Rock Trust, Scotland
Rock Trust has been Scotland's youth homelessness charity for more than 30 years. The trust has supported young people aged 16–25 to avoid and move on from homelessness, which disproportionately impacts Scotland's young people. The charity works with schools and the community to help young people early, providing safe, youth-specific housing options and support to move forward with their lives. Last year, with the help of its supporters and partners, it reached over 900 young people.

City Harvest, London
Some 13.3 million meals are wasted every month in Greater London. Yet at the same time, more than 10 million meals are being skipped each month by people who cannot afford enough to eat. To counter this, City Harvest delivers nutritious surplus from partners such as Nando's and Charlie Bigham's, as well as farms, wholesalers, retailers and manufacturers to hundreds of charities across Greater London, and beyond, that feed people who are experiencing food poverty. Since 2014, City Harvest has delivered over 50 million meals to people in need.

The Daylight Centre, Wellingborough
Based close to our largest office, the Daylight Centre assists disadvantaged and vulnerable adults, particularly those who are sleeping rough or are in vulnerable housing, those in poverty and those who are socially isolated. The centre operates a community hub in the centre of the town offering a range of services to those in need, including access to hot showers, clothing, bedding, laundry facilities and food for anyone who is street homeless.

Case studies

Creating the future

Weatherbys clients tackle plastic pollution

THROUGH OUR CREATING THE FUTURE INITIATIVE, IN COLLABORATION WITH OCEAN BOTTLE AND PLASTIC BANK, OUR CLIENTS HAVE HELPED PREVENT MORE THAN 390,000 PLASTIC BOTTLES FROM ENTERING THE OCEANS.

Plastic pollution has become one of the most pressing and recognised environmental challenges. With its convenience, durability, and affordability, plastic is part of our daily lives. However, its long-lasting nature and improper disposal have led to a crisis that is wreaking havoc on our ecosystems, wildlife and human health.

The scale of plastic pollution is simply staggering. It is estimated that there will be more plastic than fish in our oceans by 2050 unless immediate and sustained action is taken[1]. Plastic waste disturbs the balance of marine ecosystems and poses a significant threat to marine life. But the problem doesn't stop with our oceans. Plastic waste can be found in our rivers, forests, and the air we breathe. Microplastics, tiny particles resulting from the breakdown of larger plastic items, have entered into our soil, water sources, and our food.

Addressing plastic pollution requires a collected approach that includes awareness, education, and action. It is crucial that communities, businesses, governments and we, as individuals work together towards reducing plastic consumption, promoting recycling, and finding sustainable alternatives to single-use plastics. And every action, no matter how small, adds up.

Our Partnership with Ocean Bottle

Through our partnership with Ocean Bottle, we waved goodbye to the traditional 'goody bags' at our recent Creating the Future conference and instead, gifted each client attending an Ocean bottle. These reusable bottles are not only stylish and practical but also serve as a constant reminder to make conscious choices and reduce single-use plastic consumption.

Ocean Bottle is on a mission to stop plastic pollution at its source. Since launching in 2019, it has prevented over 9 million kgs of ocean-bound plastic from reaching our oceans. Each Ocean Bottle sold funds the collection of 11.4 kg (25 lbs) of ocean-bound plastic, equivalent to the weight of 1,000 single-use plastic bottles. Together with Ocean Bottle, we successfully prevented 336,000 plastic bottles from polluting our precious marine ecosystems.

Our Partnership with Plastic Bank

To engage our clients and empower them to be part of the plastic solution, we also invited them to sign up for Plastic Bank's Stop 50 campaign. The concept of Plastic Bank is simple. It recruits local people in countries such as the Philippines as collectors to gather plastic waste to be recycled directly from local beaches, riverbanks, neighbourhoods, and households. The collectors get paid for the plastic they retrieve, providing them with a much-needed income, while tonnes of plastic are prevented from entering the ocean.

Each of our clients who signed up for the campaign prevented even more plastic bottles from polluting our oceans. In total, this amounted to 55,000 bottles. This powerful campaign not only multiplied our impact but also encouraged people to take an active role in combating plastic pollution.

We will continue to seek innovative solutions, forge impactful partnerships, and empower individuals to be agents of change. Together, we can create a brighter future.

1. Ellen MacArthur Foundation.

A deep dive into seawilding

IN 2023, WEATHERBYS BANKING GROUP ANNOUNCED HOW PROUD IT WAS TO SUPPORT SEAWILDING, AN ORGANISATION DEDICATED TO THE RESTORATION AND PRESERVATION OF MARINE HABITAT. JUST A FEW MONTHS ON, OUR FIRST DONATION WAS PUT TO WORK – TRAINING DIVERS WITH ADVANCED SKILLS TO ACCELERATE ITS PROGRAMME.

Seawilding is an innovative community-led native oyster and seagrass restoration project in and around Loch Craignish on the west coast of Scotland. It aims to restore lost biodiversity, sequester carbon and create green jobs. The task in hand involves volunteers picking tens of thousands of seagrass seeds from the loch's bed and bringing them ashore so they can be replanted elsewhere.

The project resonates with Weatherbys as part of its Creating The Future initiative and in partnership with True Travel, a niche travel provider, £25,000 was donated in 2023. Just a few months on and this money has been put to work – funding the cost of training four divers with the skills needed to accelerate the restoration programme in its quest to replant 80 hectares of seagrass across the loch.

The four diving team members are now qualified to carry out scientific diving – they have the tools and training necessary to conduct underwater experiments, surveys and restoration work more efficiently. For instance, previously, the diving team were limited to planting seeds and rhizomes by snorkelling during the lowest tides. Today, with their new advanced qualifications, the divers have more flexibility on when to dive and can do so for longer periods, allowing the project to use its resources more efficiently. This breakthrough is a key to seagrass restoration at scale in Scotland and enables the project to trial rhizome transplanting – a technique that has shown promising results in restoration projects in Canada.

Seawilding's busy year

Seawilding's flagship project aims to restore a million native oysters and acres of seagrass meadows – the first of its kind in the UK. So far, it has restored 350,000 native oysters to the loch seabed and despite heavy predation from starfish and crabs, there are now tens of thousands of native oysters settling into their new home. And it continues to make progress. In Spring 2023, Seawilding enlarged its floating nursery three-fold, a development that will allow it to grow approximately 300,000 native oysters annually. This means that alongside restoring its own stocks in Loch Craignish, it will also be able to supply other UK restoration projects. Already the project's surveys reveal that there's a third more biodiversity in its native oyster beds compared to its control sites and last autumn its first native oyster 'spat' (baby oysters) emerged, which means the oysters are already multiplying in number.

In the past two years, Seawilding has planted approximately half a hectare of seagrass in Loch Craignish to enhance the pre-existing five hectares of meadows. It will trial the UK's first seagrass rhizome restoration programme, which involves transplanting 10,000 of these protected plants to a quarter of an acre restoration area. It plans to expand on this trial by planting at least one acre in 2024.

The project wants to encourage marine conservation around the UK and as such, one of its foundation's policies is to make its research public. In 2023, a host of community groups and representatives from wildlife trusts visited Loch Craignish for a weekend of practical training, while more than 300 people attended its free, educational Wild Seas Weekend that included snorkelling and paddle boarding. It also launched an underwater surveyor course via e-learning and helped coordinate a Great Seagrass Survey, which mapped 75 seagrass beds around the coastline.

Loch Craignish is fast becoming a living 'marine lab' and Seawilding is leading a community bid to have the loch designated a Demonstration and Research Marine Protected Area by the Scottish government. Seawilding's portfolio of university partnerships also continues to grow and in 2023 four PhD students helped research marine habitat acoustics, bio-diversity change, carbon capture and environmental DNA.

To top off a progressive and successful year, Seawilding won two major awards in 2023 – the National Lottery Environment Award and the Holyrood Climate Award.

How Weatherbys is playing its part

Weatherbys has partnered with True Travel, a niche travel provider which has a foundation that raises money for sustainable charitable projects around the world to give it our support. Together, we have marked this partnership with a starting donation of £25,000. This donation has funded the training of four divers, which will enable the team to accelerate its restoration programme and reach the goal of replanting 80 hectares of seagrass across Loch Craignish.

We are genuinely optimistic about the potential it harbours to reverse the loch's biodiversity decline.

Environmental policy statement

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 ARE COMMITTED TO HELPING TO CREATE A SUSTAINABLE FUTURE FOR ALL.

Our commitment is to:

- Reduce consumption of resources by purchasing renewable energy and implementing energy-efficient practices
- Measure and take actions to reduce our greenhouse gas emissions
- Manage waste generated from our operations incorporating the waste hierarchy of reduce, reuse, recycle.
- Ensure all environmental issues are taken into account in all business decisions
- Comply as a minimum with all relevant environmental legislation
- Raise awareness, encourage participation, and provide the training necessary for our employees to adopt responsible environmental practices
- Convert our commitment into action

Weatherbys aims to improve environmental performance and drive the reduction of energy use, emissions, and waste. The figures published on the right on energy performance meet the SECR (Streamline Energy Carbon Reporting) requirements.

	2023		2022	
	GHG emissions (tCO_2e)	**Energy (kWh)**	**GHG emissions (tCO_2e)**	**Energy (kWh)**
Scope 1	**39.21**	**199,949**	42.80	110,530
Scope 2	**158.24**	**777,010**	176.53	472,264
Total	**197.45**	**976,959**	219.33	582,793
% Reduction in absolute CO_2e emissions				**11%**

	2023		2022	
Intensity Ratio	**tCO_2e**	**kWh**	**tCO_2e**	**kWh**
Per £ million GBP turnover	**1.79**	**8862**	2.88	7646
Per FTE	**0.33**	**1612**	0.40	1063

Marta Krupinska, CEO & Co Founder, Cur8; Mark Stevenson, Chief Impact Officer & Co Founder, Cur8; Clover Hogan, Founder, Force of Nature and host Oli Barrett, MBE discussing the planet at the Creating The Future conference 2023.

We have measured our Scope 1 (directly controlled) and Scope 2 (indirect emissions) indicating any exclusions, as appropriate. All our office operations and supporting sites have been included in the scopes. The 2022 data has been included and will be the allocated baseline.

The Bank has undertaken a number of key strategic changes and decisions during the 2023 financial year and into 2024. These include:

1. Recruitment of dedicated resource to Sustainable Development.
2. Continuing to showcase innovation in the sustainability space through our Future Forum and Creating The Future talks/conferences.
3. Reinvigorated our Sustainability committee who meet bimonthly with representatives from each site and almost all departments.
4. Invested in carbon accounting software to accurately calculate our full Scope 1, 2 and 3 emissions.
5. Continue to purchase 100% renewable electricity and switch to 100% renewable energy by FY25*.

* For owned sites.

During 2024 we will work with our carbon accounting partner, Normative, to accurately calculate our full carbon footprint across Scope 1,2 and 3 to set a new baseline, highlight hotspots and guide target setting and reduction planning in line with Science Based Targets. We will develop a long-term Sustainable Development strategy including a road-map to Net Zero.

Weatherbys Bank has appointed Catalyst to independently assure the accuracy, completeness and consistency of energy use, greenhouse gas (GHG) emissions data and energy efficiency action within the operations under our direct control.

The underlying primary data in the table below were used by Weatherbys Bank to provide summarised data to Catalyst for calculating the carbon footprint and energy footprint.

All IPCC 2007 GHGs were considered in the calculation of this organisational carbon footprint, which were converted to carbon dioxide equivalents (CO_2e) using the 2007 IPCC Global Warming Potentials (GWPs).

Whilst more recent IPCC GWPs are available, the latest version of the main source of secondary data used in this study (i.e., Defra) currently uses IPCC 2007 GWPs.

The calculations were assured on behalf of Catalyst by Barry Johnson Assessor (No. IEMA 0004471) who found no evidence to suggest that they were not materially correct and were not a fair representation of the GHG data and information.

Type	Data source
Combustion of gas and oil (Scope 1)	Utility company bills
Combustion of fuel for transport purposes (Scope 1)	Supplier invoices
Purchased electricity, location-based (Scope 2)	Utility company bills
Purchased electricity, market-based renewables (Scope 2)	Utility company bills

Board of Directors

OUR BOARD IS CHAIRED BY ROGER WEATHERBY AND COMPRISES OF OUR CEO, GROUP FINANCE DIRECTOR AND FOUR NON-EXECUTIVE DIRECTORS.

Roger Weatherby
Chairman

Date of appointment
March 2024

Committees
N E

Experience
Roger Weatherby became CEO of Weatherbys Bank in 2000, a position he held until September 2023. In March 2024, Roger became the Chairman. 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.

Quentin Marshall
Chief Executive Officer

Date of appointment
September 2023

Committees
E

Experience
Quentin Marshall first joined the Board in January 2016 before becoming CEO in September 2023. He oversees the Group's four businesses, which comprise of Weatherbys Private Bank, Weatherbys Racing Bank, Arkle Finance and Weatherbys Hamilton.

Quentin joined Weatherbys in June 2015 from Coutts where he was Head of Advisory within the Investments Team and Deputy Chairman of the Investment Strategy Committee, overseeing c. £30bn of assets. Prior to Coutts, Quentin worked for UBS for 16 years, joining predecessor firm SG Warburg from university as an investment banker. During this time he spent four years advising the Republic of Indonesia during the Asian financial crisis.

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.

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 Group Risk Committee. 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 operations, technology and strategic roles. She has also worked for Options Market London Exchange, the Swedish Derivatives Exchange and Merrill Lynch.

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

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, holding senior executive positions in both investment banking and wealth management, including Group Managing Director at UBS AG in the Wealth Management Division and prior to that he worked at UBS Investment Bank.

Dominic currently holds the position of Chairman of Augmentive, the mental health platform, and is also involved in board work within the non-profit sector and sits on the boards of The Optimus Foundation and The Scots Guards Charity.

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.

Mark Batten
Non-Executive Director and Senior Independent Director

Date of appointment
July 2023

Committees
A

Experience
Mark joined the Board in 2023 as Chair of the Audit committee and Senior Independent Director.

Mark is currently Chair of Assured Guaranty UK and sits on the Board of Assured Guaranty's NYSE listed parent company, Assured Guaranty Ltd. He is also a Senior Independent Director of Picton Property Income.

A chartered accountant and formerly a senior partner of PwC, Mark led several practices in the UK and Europe.

Mark worked with a number of financial institutions in the UK and internationally, including working with the UK and Irish Treasuries on the restructuring of the UK and Irish banking systems.

Mark was also a Senior Adviser to UK Government Investments, part of HM Treasury.

Fiona Noonan
General Counsel and 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.

Governance overview

We are committed to achieving the highest standards of excellence

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 our regulators. The Board ensures 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 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 five Non-Executive Directors and two Executive Directors. 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 Group 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.

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 provide comment on areas of risk, conflicts, and controls.

Group Audit Committee

Chair: Mark Batten

The Group Audit Committee is chaired by the Senior Independent Director and comprises the two Non-Executive Directors and meets quarterly. Also in attendance are the two 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 financial control systems, reviews regular reports from the MLRO and reviews, monitors and approves the role of internal audit.

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 Group'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: Roger Weatherby, Chairman

The Group Remuneration and Nomination Committee is chaired by the Weatherbys Banking Group Chairman. 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 and Nomination Committee agrees the remuneration of the Executive Directors and senior management and approves the Group remuneration policy. The Committee also regularly reviews the composition of the Board and those in a senior management role.

Group Executive Management Committee

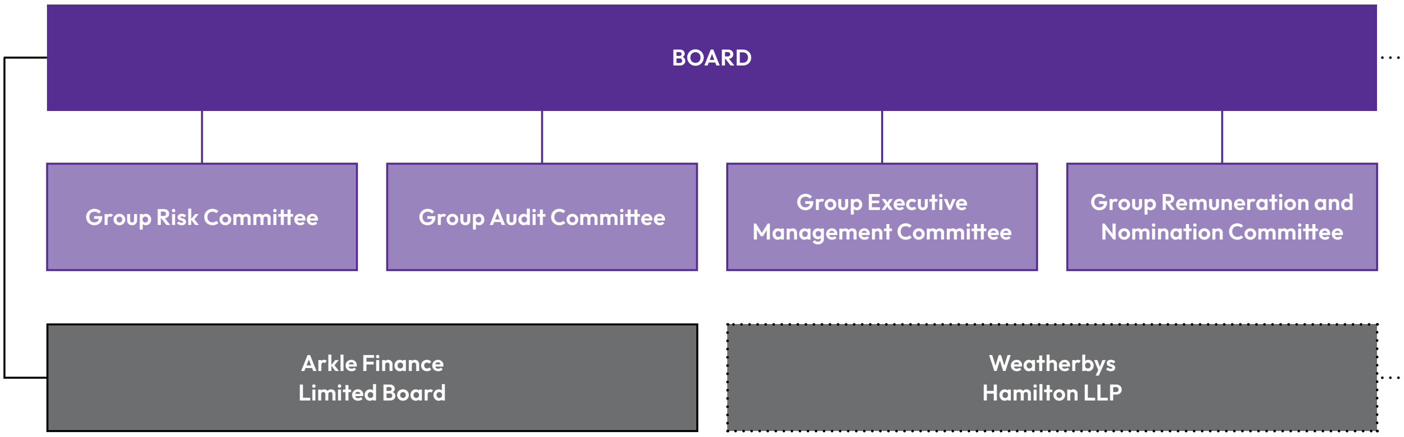
Chair: Quentin Marshall, CEO

The Group 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 other Executive Director and key members of the senior management team which meet monthly to review and discuss all financial and operational issues.

Roger Weatherby
Chairman
22 April 2024

The structure of the Board and its Committees



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 Banking Group is subject to 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 SMCR.

The Banking Group is well capitalised, operationally robust and staffed by exceptional people.

Carole Machell
Non-Executive Director and Chair of the Group Risk Committee

Report of the Directors
For the year ended 31 December 2023

The Directors present their report together with the audited financial statements of the Banking Group for the year ended 31 December 2023.

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 Bank has made no donations to a registered political party, other political organisation in the UK or any independent candidate.

2. Results and dividends
The financial results for the year are set out in the consolidated income statement on page 44.

Retained consolidated profits for the year amounted to £24.5 million (2022: £11.7 million). The Board recommended interim ordinary share dividends in the year totalling £nil (2022: £0.5 million) and a final dividend of £5.0 million (2022: £1.5 million).

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 Banking Group'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 Group is exposed;
- Approving the framework for reporting and managing risk; and
- 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 Banking Group's activities. The key committees that report to the Board are:

- Group Executive Committee (EXCO) – chaired by the Chief Executive and comprising the Group Finance Director 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 CEO, Head of Finance and the Chief Risk Officer, as well as other senior management, it meets monthly to review:
  - Capital allocation and efficiency;
  - Liquidity position and profile;
  - Credit Risk;
  - Capital allocation and risk-adjusted returns; and
  - Pricing of assets and liabilities.
- Group Risk Committee – chaired by a Non-Executive Director. It also comprises three other Non-Executive Directors, two Executive Directors, the Chief Risk Officer, the Internal Auditor 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 four Non-Executive Directors and meets quarterly. Also in attendance are the Chief Risk Officer, the Internal Auditor, two Executive Directors and the external auditors. Its primary role is the consideration of financial reporting, internal controls, the relationship with external and internal auditors and reviewing internal audit plans and reports.

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, and have subsequently been retained in UK law from January 2021.

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 £87.8. million at 31 December 2023 (2022: £69.1 million) against a Total Capital Requirement of £77.7 million (2022: £63.9 million). 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 16.2% (2022: 14.5%).

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 2023, the consolidated leverage ratio was 7.13% (2022: 5.30%) 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 to 29 February 2024)	Resigned 1 March 2024
R N Weatherby	(Non-executive chairman from 1 March 2024)	
Q N J Marshall		
A Turberville Smith		
C Machell	(Non-Executive) *	
P D Vail	(Non-Executive) *	
N J Millar	(Non-Executive) *	
M C Batten	(Non-Executive) *	Appointed 12 July 2023

* Member of the Audit Committee.

R N Weatherby had interests, as a trustee, 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

R N Weatherby had interests as a Director 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 29 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 2023 the Banking Group had 422 employees (2022: 371) and the Bank itself had 322 employees (2022: 299).

The Company gives due consideration to the employment of disabled persons and is an equal opportunities employer. It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Company through regular communications and in other ways.

The Company has a policy in place to ensure that it applies the Equality Act 2010 which makes it unlawful to discriminate on the grounds of disability and other protected characteristics. At the recruitment stage, reasonable adjustments are made to ensure that no candidate is disadvantaged because of their disability. Should existing employees become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees.

7. Future developments

These are discussed within the Strategic Report.

Report of the Directors continued
For the year ended 31 December 2023

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. This 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 28 to these financial statements.
(2) Use of financial instruments are set out in note 32 to these financial statements.
(3) Post balance sheet events are disclosed in note 33.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Following a rebranding exercise on 15 May 2023 the trading name of the Company's independent auditor changed from MHA MacIntyre Hudson to MHA, an independent member of Baker Tilly International Limited. MHA 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:

Q N J Marshall
Director
22 April 2024

Report of the Chair of the Group Risk Committee

Carole Machell, Non-Executive Director, chaired the Group Risk Committee throughout 2023.

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 in section 7 of the Strategic Report. During the past 12 months its focus has included:

- Development of risk appetite statements across the Group and the ongoing embedding of the Group enterprise-wide risk management framework
- 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 including the upgrade to the Bank's core operating platform, providing expert advice and counsel to ensure operational resilience obligations and good client outcomes
- Regular scrutiny of second-line reports from compliance across a range 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 that came into effect in July in 2023 together with ongoing oversight of reporting metrics
- 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 of the Group's ongoing programme of work to manage the financial risks arising from climate change
- Oversight and challenge to the Group's assessment and ongoing management of people risk.

Carole Machell
Chair of the Group Risk Committee

Report of the Chair of the Group Audit Committee

Carole Machell chaired the Group Audit Committee until September 2023 after which time Mark Batten took over the role of Chair.

The Committee's terms of reference include consideration of the following matters:

- financial reporting including significant accounting judgements and accounting policies and disclosures within the financial statements
- internal controls and controls testing
- the Group's relationship with MHA, its external auditor, including its effectiveness and independence
- oversight of the annual audit including review of the external audit plan, audit report and executive response to any findings and recommendations of the external auditor
- the Group's relationship with PwC, its internal auditor, including its effectiveness and independence
- reviewing and approving the annual plan of internal audit reviews to ensure it is aligned to the key risks of the business
- reviewing PwC's findings from its Internal Audit reviews and maintaining oversight over the remediation of any findings arising from such reviews

During the year the Committee met on five occasions and considered the following matters:

1. In relation to the external audit, report and accounts

- external audit strategy and plan
- significant audit and accounting issues
- the annual report of the Group
- the effectiveness of the audit process and independence of MHA

2. In relation to the internal audit function outsourced to PwC

- internal audit plan of reviews
- the following internal audit reports
  - the Group's risk management framework
  - the Group's credit risk management framework
  - the Group's ICAAP
  - the Group's treasury function
  - IT strategy and governance
  - operations including operational resilience
  - Group-wide payroll

Any material findings were discussed with the Committee which has also maintained oversight over the remediation of its findings.

Overall, the Audit Committee is satisfied that the Annual Report and Accounts is fair, balanced and understandable and recommends this report to the shareholders and asks that they support the resolutions concerning the reappointment of MHA as the Group's statutory auditors.

Mark Batten
Chair of the Group Audit Committee

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

For the purpose of this report, the terms "we" and "our" denote MHA 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 24 to 26 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. 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 2023.

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 2023 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.

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

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. 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	2023	2022	
Group	£850,000	£625,000	1% (2022: 1%) of net assets
Parent Company	£709,000	£504,000	1% (2022: 1%) of net assets 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 2023 the Group reported total gross loans of £825.9m (2022: £779.1m) and £4.2m (2022: £3.6 m) of provision for bad and doubtful debts. 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. The key areas of judgement in determining the provision for bad and doubtful debts for the Group are: • Loans and advanced by the Parent Company 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. The provision for bad and doubtful debts is determined based on past loss history. • Receivables held under finance lease and hire purchase agreements The provisioning model for receivables held under finance lease and hire purchase agreements, attributes a recoverability rating based on the type of asset financed, credit profile of the borrower and other credit enhancements integral to the lending agreement to assess the level of impairment of the loan in distress. 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. In addition, a collective provision is calculated for performing loans to take into account emerging but not yet observed impairment scenarios. The collective provision is based on portfolio historical loss rates.

Provision for bad and doubtful debts continued

How the scope of our audit responded to the key audit matter	Our audit procedures included, but were not limited to: **Group level audit procedures** ***Validation of the provisioning models and methodologies*** • We obtained and read management's judgement papers in respect of the Group's provision calculation and methodologies and assessed the appropriateness of the provision methodologies for compliance with FRS 102. We also considered the appropriateness of the models in view of the operating model of Group, specifically the underwriting of new loans and loan recovery methods for non-performing loans. • Performed walkthrough procedures of the provision calculation as of 31 December 2023 to confirm that the models are applied as currently designed. In performing this test, we focussed on the end-to-end process covering data input into the models, reperforming the provision calculation and testing the recording of the output from the models in the general ledger, validating the mathematical accuracy of the model and the governance and segregation of duties that apply in the process of determining the provision for bad and doubtful debts. ***Internal Controls*** • 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. • 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. ***Financial statement disclosures:*** • 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 **Determination of provision for bad and doubtful debts in respect of loan assets of the Parent Company** • 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. **Determination of provision for bad and doubtful debts in respect receivables held under finance lease and hire purchase agreements** ***Model design review*** • Reviewed the design of the provisioning methodology. In particular we focused on the credit risk events that determine the classification of the loans as either performing or terminated, and the impact of management judgement on this process. • Challenged management on the following key aspects of the model: a) credit risk classification of loans b) judgment applied in respect provision rates and c) basis of determining loss rates and the completeness of data on which those loss rates are based on. • Performed recalculation of the provision to test mathematical accuracy of the model. ***Test of details*** • On a sample basis we tested the process of underwriting loans and recording of key data for loans in the loan system such as loan amount, repayment amount, interest rate and repayment period. • On a sample basis we tested the allocation of repayments to accounts and identification of arrears. We used our IT audit specialists to test the allocation of payments, identification and reporting of arrears and ageing of arrears. • On a sample basis we tested the closing of loan accounts, including processing of loan write offs. • Tested the data used to determine loss rates and recovery rates applied in the model. • Performed a reconciliation of key data inputs into the model to source systems.
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.

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

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 £850,000 (2022: £625,000) which was determined on the basis of 1% (2022: 1%) of the Group's net assets. Materiality in respect of the Parent Company was set at £709,000 (2022: £504,000), determined on the basis of 1% (2022: 1%) of the Parent Company's net assets. Net assets were 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 £595,000 (2022: £438,000) and at £496,000 (2022: £353,000) for the Parent Company which represents 70% (2022: 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 £43,000 and £35,000 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.

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.

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

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 1st February 2024 to audit the financial statements of the Group for the year ended 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 3 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
(Senior Statutory Auditor)
for and on behalf of MHA, Chartered Accountants and Statutory Auditor
London, United Kingdom
22 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023 £000**	**2023 £000**	2022 £000	2022 £000
Interest receivable					
– interest receivable arising from debt securities		**8,846**		2,642	
– other interest receivable and similar income	7	**93,591**		51,278	
Interest payable	8	**(24,283)**		(4,733)	
Net interest income			**78,154**		49,187
Fees and commissions receivable		**6,796**		5,862	
Fees and commissions payable		**(615)**		(546)	
Rent Receivable		**84**		–	
Other operating income		**4,007**		3,526	
			10,272		8,842
Operating income			**88,426**		58,029
Gain on value of derivatives		**75**		76	
Administrative expenses	5	**(50,274)**		(39,014)	
Depreciation and amortisation	4	**(2,758)**		(2,786)	
Impairment charge on loans and advances	16	**(2,784)**		(1,400)	
Share of operating profit in joint venture	19	**400**		340	
			(55,341)		(42,784)
Operating profit, being profit before taxation			**33,085**		15,245
Taxation on profit	9		**(8,350)**		(3,336)
Profit for the financial year			**24,735**		11,909

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 51 to 77 form part of these financial statements.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023 £000**	2022 £000
Profit for the financial year		**24,735**	11,909
Revaluation of tangible assets	14	**(244)**	(209)
Total comprehensive income for the year		**24,491**	11,700

The items above will not be reclassified to the Consolidated Income Statement.

The notes on pages 51 to 77 form part of these financial statements.

Consolidated statement of financial position

AS AT 31 DECEMBER 2023

	Note	**2023 £000**	**2023 £000**	2022 £000	2022 £000
ASSETS					
Derivative financial assets	28		**5,194**		9,813
Loans and advances to banks	12		**624,875**		585,221
Loans and advances to customers	15		**821,700**		775,573
Debt securities	17		**146,097**		207,605
Investment in joint venture	19		**670**		610
Investments	20		**455**		438
Intangible fixed assets	13		**12,327**		6,145
Tangible fixed assets	14		**9,283**		11,216
Other assets	21		**1,913**		1,711
Prepayments and accrued income			**15,160**		10,232
Total assets			**1,637,674**		1,608,564
LIABILITIES					
Derivative financial liabilities	28		**3,069**		472
Customer accounts	22		**1,504,566**		1,521,191
Other liabilities	24		**22,583**		7,903
Accruals and deferred income			**12,465**		6,498
Subordinated loan	23		**10,000**		10,000
Total liabilities			**1,552,683**		1,546,064
SHAREHOLDERS' FUNDS					
Called up share capital	25	**7,000**		7,000	
Contingent convertible securities	26	**3,000**		–	
Revaluation reserve		**522**		766	
Profit and loss account		**74,469**		54,734	
			84,991		62,500
Total liabilities and equity			**1,637,674**		1,608,564

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2024.

Q N J Marshall
Director
Company number 02943300

The notes on pages 51 to 77 form part of these financial statements.

Company statement of financial position

AS AT 31 DECEMBER 2023

	Note	2023 £000	2023 £000	2022 £000	2022 £000
ASSETS					
Derivative financial assets	28		**5,194**		9,813
Loans and advances to banks	12		**624,130**		584,719
Loans and advances to customers	15		**814,106**		771,129
Debt securities	17		**146,097**		207,605
Investment in subsidiaries	18		**10**		10
Investments	20		**124**		107
Intangible fixed assets	13		**11,980**		5,753
Tangible fixed assets	14		**8,392**		10,696
Other assets	21		**2,805**		1,336
Prepayments and accrued income			**7,132**		4,802
Total assets			**1,619,970**		1,595,970
LIABILITIES					
Derivative financial liabilities	28		**3,069**		472
Customer accounts	22		**1,505,287**		1,521,563
Other liabilities	24		**20,226**		8,465
Accruals and deferred income			**10,444**		5,066
Subordinated loan	23		**10,000**		10,000
Total liabilities			**1,549,026**		1,545,566
SHAREHOLDERS' FUNDS					
Called up share capital	25	**7,000**		7,000	
Contingent convertible securities	26	**3,000**		–	
Revaluation reserve		**286**		566	
Profit and loss account		**60,658**		42,838	
			70,944		50,404
Total liabilities and equity			**1,619,970**		1,595,970

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 £22,821,005 (2022: £10,717,138).

The financial statements were approved by the Board of Directors and authorised for issue on 22 April 2024.

Q N J Marshall
Director
Company number 02943300

The notes on pages 51 to 77 form part of these financial statements.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital £000	Contingent Convertible Securities £000	Revaluation reserve £000	Profit & loss account £000	Total equity £000
1 January 2023	7,000	–	766	54,734	62,500
Profit for the year	–	–	–	24,735	24,735
Other Comprehensive expense					
Revaluation of tangible fixed assets	–	–	(244)	–	(244)
Other comprehensive expense for the year	–	–	(244)	–	(244)
Total comprehensive income for the year	–	–	(244)	24,735	24,491
Contributions by and distributions to owners					
Dividends	–	–	–	(5,000)	(5,000)
Total contributions by and distributions to owners	–	–	–	(5,000)	(5,000)
Issue of contingent convertible securities	–	3,000	–	–	3,000
31 December 2023	**7,000**	**3,000**	**522**	**74,469**	**84,991**

	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

The notes on pages 51 to 77 form part of these financial statements.

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital £000	Contingent Convertible Securities £000	Revaluation reserve £000	Profit and loss account £000	Total equity £000
1 January 2023	7,000	–	566	42,838	50,404
Profit for the year	–	–	–	22,820	22,820
Other comprehensive expense					
Revaluation of tangible fixed assets	–	–	(280)	–	(280)
Other comprehensive expense for the year	–	–	(280)	–	(280)
Total comprehensive income for the year	–	–	(280)	22,820	22,540
Contributions by and distributions to owners					
Dividends	–	–	–	(5,000)	(5,000)
Total contributions by and distributions to owners	–	–	–	(5,000)	(5,000)
Issue of contingent convertible securities	–	3,000	–	–	3,000
31 December 2023	**7,000**	**3,000**	**286**	**60,658**	**70,944**

	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

The notes on pages 51 to 77 form part of these financial statements.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit for the financial year before exceptional items		**24,735**	11,909
Adjustments for:			
Depreciation, impairment, and amortisation of fixed assets	4	**2,758**	2,786
Amortisation of debt securities	17	**413**	443
Taxation expense	9	**8,348**	3,504
Increase in prepayments and accrued income		**(4,930)**	(6,282)
Increase in trade and other debtors		**(201)**	(364)
Change in fair value of financial instruments	28	**7,216**	(8,619)
(Gain)/Loss on investments	20	**(17)**	104
Decrease in trade and other creditors		**11,753**	2,607
Net increase in provisions		**5,968**	2,623
Increase/(decrease) in provision for bad and doubtful debts	16	**184**	(25)
Net (decrease)/increase in deposits from customers	22	**(16,626)**	116,590
Net increase in loans and advances to customers	15	**(46,309)**	(30,957)
Cash from operations		**(6,708)**	94,319
Net taxation paid		**(5,421)**	(2,320)
Net cash generated/(used) from operating activities		**(12,129)**	91,999
Cash flows from investing activities			
Investment in joint venture	19	**(60)**	(280)
Purchase of investment securities	17	**(66,857)**	(136,837)
Sale and maturities of investment securities	17	**127,951**	46,415
Purchase of intangible/tangible fixed assets	13/14	**(7,251)**	(6,456)
Net cash used from investing activities		**53,783**	(97,158)
Cash flows from financing activities			
Issue of contingent convertible securities	26	**3,000**	–
Equity dividends paid	11	**(5,000)**	(2,000)
Net cash used from financing activities		**(2,000)**	(2,000)
Net increase/(decrease) in cash and cash equivalents		**39,654**	(7,159)
Cash and cash equivalents at beginning of year		**585,221**	592,380
Cash and cash equivalents at end of year	12	**624,875**	585,221

The notes on pages 51 to 77 form part of these financial statements.

Notes forming part of the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

Basis of preparation

The financial statements of the Banking Group and Bank 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, and in line with applicable elements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis.

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; and
- 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.

Going concern

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.

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.

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Accounting policies continued

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. Unguaranteed 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.

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

1. Accounting policies continued

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 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.

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 undiscounted 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.

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Accounting policies continued

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.

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.

1. Accounting policies continued

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-the-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.

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.

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Accounting policies continued

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 judgments 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	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Banking and financial services	**73,796**	47,732	**30,481**	13,762
Asset finance	**14,630**	10,297	**2,604**	1,483
	88,426	58,029	**33,085**	15,245

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

	Assets		Liabilities	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Banking and financial services	**1,385,066**	1,398,407	**1,313,034**	1,347,189
Asset finance	**252,608**	210,157	**239,649**	198,875
	1,637,674	1,608,564	**1,552,683**	1,546,064

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

4. Operating profit

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
This is arrived at after (crediting)/charging:				
Income				
Rentals receivable under operating leases (plant and equipment)	**(292)**	**–**	(205)	–
Rentals receivable under operating leases (property)	**(84)**	**(84)**	–	–
Charges				
Depreciation on tangible fixed assets:				
– owned assets (note 14)	**1,939**	**1,603**	2,217	1,967
Amortisation of intangible assets (note 13)	**819**	**677**	569	419

	2023 £000	2022 £000
Auditor's remuneration:		
– fees payable to the company's auditor in respect of the Company's annual financial statements	**150**	136
– fees payable in respect of the audit of subsidiary companies, pursuant to legislation	**61**	65
Total audit fees	**211**	201
– Other services	**40**	–
Total fees	**251**	201

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

5. Administrative expenses

Staff costs (including Directors) consist of:	**Banking Group 2023 £000**	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Wages and salaries	**26,058**	**22,324**	19,072	16,183
Social security costs	**2,318**	**1,900**	1,947	1,598
Pension costs	**2,261**	**1,945**	1,977	1,755
Total Staff Costs	**30,637**	**26,169**	22,996	19,536
IT operations and development	**4,692**	**4,132**	3,971	3,456
Other administrative expenses	**14,945**	**11,276**	12,047	8,737
	50,274	**41,577**	39,014	31,729

Average number of employees

	2023	2022
Banking	**142**	109
Other divisions	**180**	164
Bank Total	**322**	273
Asset Finance	**74**	67
Group Total	**396**	340

Pension costs

An amount of £2,260,834 was recognised as an expense for the defined contribution plans in 2023 (2022: £1,977,461). 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

	2023 £000	2022 £000
Emoluments	**2,450**	1,966
Pension contributions	**121**	144
	2,571	2,110

The emoluments of the highest paid director were £740,303 (2022: £670,766) and defined benefit pension contributions of £88,754 (2022: £118,339) were paid on their behalf.

Three of the Directors of the Group have retirement benefits accruing under a money purchase pension scheme (2022: three).

One of the Directors of the Group has retirement benefits accruing under a Defined Benefit pension scheme (2022: one).

7. Other interest receivable and similar income

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
In respect of:				
Loans and advances to customers	**67,744**	**54,766**	44,299	35,598
Loans and advances to banks	**25,847**	**25,847**	6,979	6,979
	93,591	**80,613**	51,278	42,577

Loans and advances to customers for 'Bank' includes interest of £8,621,359 (2022: £6,355,627) relating to the overdraft provided to its subsidiary Arkle.

8. Interest payable

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Client deposits	**24,283**	**24,199**	4,733	4,709
Other loans and overdrafts	**–**	**–**	–	–
	24,283	**24,199**	4,733	4,709

9. Taxation on profit on ordinary activities

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Analysis of taxation charge				
Current tax				
UK corporation tax on profits of the period	**7,423**	**6,432**	2,760	2,327
UK Corporation tax bank surcharge	**46**	**46**		
Adjustments in respect of previous period	**(692)**	**(724)**	(241)	(241)
Total current tax	**6,777**	**5,754**	2,519	2,086
Deferred tax				
Origination and reversal of timing differences	**1,138**	**1,049**	445	336
Adjustment in respect of prior years	**435**	**495**	232	232
Effect of tax rate change on operating balance	**–**	**–**	140	106
Total deferred tax	**1,573**	**1,544**	817	674
Taxation on profit on ordinary activities	**8,350**	**7,298**	3,336	2,760

Reconciliation of tax charge

The tax charge for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2023 of 23.5% (2022: 19%). The differences are explained below:

Factors affecting tax charge for the year:

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Profit on ordinary activities before tax	**33,085**	**30,118**	15,245	13,478
Profit on ordinary activities multiplied by the standard rate of corporation tax of 23.52% (2022: 19%)	**7,782**	**7,084**	2,897	2,561
Effects of:				
Fixed asset differences	**(30)**	**(20)**	(41)	(31)
Expenses not deductible for tax purposes	**744**	**355**	356	133
UK Corporation tax bank surcharge	**46**	**46**		–
Income not taxable for tax purposes	**(2)**	**–**	(7)	–
Adjustments to tax charge and deferred tax in respect of previous periods	**(257)**	**(229)**	(9)	(9)
Remeasurement of deferred tax	**67**	**62**	140	106
Total tax charge for the year	**8,350**	**7,298**	3,336	2,760

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

9. Taxation on profit on ordinary activities continued

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Deferred tax				
Analysis of deferred tax balances				
Fixed asset timing differences	**2,981**	**1,049**	(1,260)	(1,659)
Movement in short-term timing differences	**(568)**	**495**	420	363
	2,413	**1,544**	(840)	(1,296)
Deferred tax asset/(liability) at 1 January	**(840)**	**(1,296)**	(23)	(622)
Current year movement	**(1,138)**	**(1,050)**	(582)	(442)
Prior year adjustment	**(435)**	**(494)**	(232)	(232)
Deferred tax asset/(liability) at 31 December	**(2,413)**	**(2,840)**	(840)	(1,296)

In 2021, the UK Government announced that from 1 April 2023 the UK corporation tax rate would increase to 25% (rather than remaining at 19% as previously enacted). This new law was substantively enacted in May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%.

10. Profit attributable to the company

	2023 £000	2022 £000
Profit on ordinary activities after taxation attributable to the shareholder of Weatherbys Bank Limited	**22,820**	10,717

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 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Equity:				
Interim paid	**–**	**–**	–	–
Final proposed	**5,000**	**5,000**	2,000	2,000
	5,000	**5,000**	2,000	2,000

12. Loans and advances to banks

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Repayable on demand	**623,945**	**623,200**	591,955	591,453
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	**930**	**930**	(6,734)	(6,734)
	624,875	**624,130**	585,221	584,719

13. Intangible assets

	Banking Group Software £000	Banking Group Total £000	Bank Software £000	Bank Total £000
Cost or valuation				
At 1 January 2023	8,529	8,529	7,812	7,812
Additions	7,001	7,001	6,904	6,904
At 31 December 2023	**15,530**	**15,530**	**14,716**	**14,716**
Amortisation				
At 1 January 2023	2,384	2,384	2,059	2,059
Charge for the year	819	819	677	677
At 31 December 2023	**3,203**	**3,203**	**2,736**	**2,736**
Net book value				
At 31 December 2023	**12,327**	**12,327**	**11,980**	**11,980**
At 31 December 2022	6,145	6,145	5,753	5,753

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

14. Tangible assets

Banking Group	Investment Properties £000	Land and Buildings £000	Leasehold Property improvements £000	Plant and equipment £000	Total £000
Cost or valuation					
At 1 January 2023	2,720	1,260	2,005	13,240	19,225
Additions	–	143	191	(70)	264
Disposals	–	–	–	(171)	(171)
Revaluation	(970)	667	–	–	(303)
At 31 December 2023	**1,750**	**2,070**	**2,196**	**12,999**	**19,015**
Depreciation					
At 1 January 2023	–	–	486	7,523	8,009
Charge for the year	–	59	378	1,501	1,938
Disposals	–	–	–	(156)	(156)
Revaluation	–	(59)	–	–	(59)
At 31 December 2023	**–**	**–**	**864**	**8,868**	**9,732**
Net book value					
At 31 December 2023	**1,750**	**2,070**	**1,332**	**4,131**	**9,283**
At 31 December 2022	2,720	1,260	1,519	5,717	11,216

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £129,470,000 (2022: £99,122,000). The amounts are included in loans and advances to customers.

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

14. Tangible assets continued

Bank	Investment Properties £000	Land and Buildings £000	Leasehold Property improvements £000	Plant and equipment £000	Total £000
Cost or valuation					
At 1 January 2023	2,930	1,050	2,004	11,887	17,871
Additions	-	143	192	(756)	(421)
Disposals	-	-	-	-	-
Revaluation	(860)	557	-	-	(303)
At 31 December 2023	**2,070**	**1,750**	**2,196**	**11,131**	**17,147**
Depreciation					
At 1 January 2023	–	–	486	6,689	7,175
Charge for the year	–	–	378	1,202	1,580
Disposals	–	–	–	–	
Revaluation	–	–	–	–	–
At 31 December 2023	**–**	**–**	**864**	**7,891**	**8,755**
Net book value					
At 31 December 2023	**2,070**	**1,750**	**1,332**	**3,240**	**8,392**
At 31 December 2022	2,930	1,050	1,518	5,198	10,696

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 2023 with subsequent additions at cost.

Investment properties

Investment properties, which are all freehold, were revalued to fair value at 31 December 2023, 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 £83,789 (2022: £nil). No contingent rents have been recognised as income in the current or prior year.

On 1 January a new contract was signed which included a 24-month rent-free period until 1 January 2026. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

	2023 £000	2022 £000
Within one year	**–**	84
In the second to fifth years inclusive	**377**	503
After five years	**377**	-

14. Tangible assets continued

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

Historical cost information	2023 £000	2022 £000
Historical cost of revalued land and buildings	3,617	3,474
Depreciation based on historical cost	(2,237)	(2,050)
Historical cost net book value	1,380	1,424

Leased assets – Banking Group

Investment properties with a total cost of £1,750,000 (2022: £2,720,000) and related accumulated depreciation of £nil (2022: £nil) were held for use in operating leases.

Assets with a cost of £1,560,000 (2022: £1,075,000) and related accumulated depreciation of £752,000 (2022: £633,000) were held for use in operating leases.

The future minimum lease payments under non-cancellable operating leases and the residual value exposures in respect of leased assets 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	
	2023 £000	2022 £000	2023 £000	2022 £000
Within one year	279	162	28	59
In the second to fifth years inclusive	635	228	57	72
Later than five years	–	–	–	–
	914	390	85	131

15. Loans and advances to customers

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Repayable on demand	21,191	24,866	192,200	388,669
Remaining maturity:				
3 months or less excluding on demand	112,508	110,678	61,002	37,284
1 year or less but over 3 months	151,651	148,643	111,096	61,706
5 years or less but over 1 year	486,204	477,595	353,437	230,953
Over 5 years	54,081	53,570	61,458	53,849
Loan loss provision	(3,935)	(1,246)	(3,620)	(1,332)
	821,700	814,106	775,573	771,129

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Amounts included within the above:				
Due from subsidiary undertakings				
– unsubordinated debt	–	234,903	–	196,964
Amounts receivable under finance leases	75,435	–	64,535	–
Amounts receivable under hire purchase agreements	129,935	–	93,781	–

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

15. Loans and advances to customers continued

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	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Less than one year	**93,233**	72,114	**71,537**	55,928
Later than one year but less than five years	**153,728**	116,332	**130,459**	100,042
Later than five years	**3,689**	2,560	**3,374**	2,346
	250,650	191,006	**205,370**	158,316
Less				
Unearned finance income	**(43,056)**	(30,510)		
Provision for uncollectible minimum lease payments	**(2,224)**	(2,180)		
Net investment in leases	**205,370**	158,316		

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 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Gross amount of loans individually determined to be impaired				
– loans and advances before provisions	**9,705**	**73**	6,980	79
– loans and advances after provisions	**7,380**	**–**	4,944	–
Non-performing loans and advances to customers				
– loans and advances before provisions	**9,628**	**–**	6,847	–
– loans and advances after provisions	**7,377**	**–**	4,896	–

16. Provisions for bad and doubtful debts

	Banking Group			Bank		
	Specific £000	**Collective £000**	**Total £000**	**Specific £000**	**Collective £000**	**Total £000**
At 1 January 2023	2,036	1,584	3,620	80	1,252	1,332
New provisions less releases	2,747	37	2,784	13	(33)	(20)
Write-offs less recoveries	(2,181)	2	(2,179)	(20)	(32)	(52)
Cumulative provisions As at 31 December 2023	**2,602**	**1,623**	**4,225**	**73**	**1,187**	**1,260**
New and additional provisions	3,455	72	3,527	13	(33)	(20)
Releases and recoveries	(708)	(35)	(743)	–	–	–
Net charge to profit and loss account	2,747	37	2,784	13	(33)	(20)

Included within the "Banking Group" and "Bank" provisions for bad and doubtful debts is £290,092 (2022: £nil) that relates to trade debtors. The remaining provisions relate to loans and advances to customers.

16. Provisions for bad and doubtful debts continued

	Specific £000	Banking Group Collective £000	Total £000	Bank Specific £000	Collective £000	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

17. Debt securities

	2023			2022		
	Cost £000	**Premiums and discounts £000**	**Book value £000**	Cost £000	Premiums and discounts £000	Book value £000
Investment securities						
At 1 January	**207,326**	**279**	**207,605**	117,218	407	117,625
Acquisitions	**68,329**	**(1,473)**	**66,856**	136,523	315	136,838
Maturities/disposals	**(127,951)**	**(231)**	**(128,182)**	(46,415)	(234)	(46,649)
Amortisation of discounts and premiums		**(182)**	**(182)**	–	(209)	(209)
As at 31 December	**147,704**	**(1,607)**	**146,097**	207,326	279	207,605
Market value			**137,373**			208,247
Unamortised premiums on investment securities			**1,007**			519
Unamortised discounts on investment securities			**(842)**			(659)

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

18. Investment in subsidiaries

	2023 £000	2022 £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	2023 £000	2022 £000
Investment in equity	**270**	270
Share of profits	**400**	340
	670	610

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 £1,373,430 (2022: £1,216,957) for the year and the total aggregate amount of its capital and reserves of £1,231,572 (2022: £1,069,864) as at year end. This includes £nil (2022: £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 2023 was £400,000 (2022: £340,000).

20. Investments

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Convertible preferred stock	**124**	**124**	107	107
Investment in unlisted equity	**331**	**–**	331	–
	455	**124**	438	107

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 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Amounts falling due within one year:				
Trade debtors	**938**	**81**	731	161
Due from subsidiary undertakings	**–**	**1,232**	–	626
Due from companies under common control	**2**	**2**	2	2
Deferred tax asset	**–**	**–**	–	–
Other debtors	**973**	**1,490**	978	547
	1,913	**2,805**	1,711	1,336

22. Customer accounts

	Banking Group 2023 £000	Bank 2023 £000	Banking Group 2022 £000	Bank 2022 £000
Repayable on demand	**864,054**	**864,775**	1,140,217	1,140,589
With agreed maturity dates or periods of notice, by remaining maturity:				
3 months or less but not repayable on demand	**303,808**	**303,808**	154,193	154,193
3 months to one year	**290,638**	**290,638**	193,174	193,174
1 year to five years	**46,066**	**46,066**	33,607	33,607
	1,504,566	**1,505,287**	1,521,191	1,521,563
Amounts include:				
Due to other companies under common control	**5,914**	**5,192**	4,231	3,860
Due to immediate parent company	**–**	**–**	–	–

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

23. Subordinated loan

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £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%.

On 1 October 2023 the loans were extended by a further five years and are repayable on 1 October 2033. The annual interest payable is 10%.

24. Other liabilities

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Trade creditors	**12,002**	**9,920**	3,921	4,138
Corporation tax	**2,275**	**1,693**	920	916
Deferred tax liability	**2,413**	**2,840**	840	1,296
Amounts due to other companies under common control	**151**	**151**	98	86
Dividend payable	**5,000**	**5,000**	1,500	1,500
Other taxation and social security	**742**	**622**	624	529
	22,583	**20,226**	7,903	8,465

25. Authorised share capital

	Allotted, called up and fully paid			
	2023 Number	2022 Number	**2023 £000**	2022 £000
Ordinary shares of £1 each	**7,000**	7,000	**7,000**	7,000

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

26. Contingent convertible securities

	Banking Group 2023 £000	**Bank 2023 £000**	Banking Group 2022 £000	Bank 2022 £000
Contingent convertible securities	**3,000**	**3,000**	–	–
	3,000	**3,000**	–	–

The AT1 Securities bear interest at an annual rate of 11.56% per annum until 30 June 2028 and thereafter reset annually at a fixed margin over the five-year swap rate as provided by the Securities Certificate.

The AT1 Securities are convertible into ordinary shares of the Company in the event of the CET1 ratio of the Bank falling below 7%.

27. Commitments

The Group had total commitments of £78,857,290 (2022: £85,502,581). Commitments comprise amounts yet to be drawn under lending facilities issued to customers.

28. 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). Undrawn loan commitments are disclosed in note 27.

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

	2023 £000	2022 £000
Loans and advances to banks	**624,875**	585,221
Debt securities	**146,097**	207,605
Treasury assets at 31 December	**770,972**	792,826
By credit grading		
AAA	**733,199**	739,568
AA	**–**	10
A	**37,773**	53,248
Treasury assets at 31 December 2023	**770,972**	792,826

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.

	2023 £000	2022 £000
Neither past due nor impaired	**811,613**	768,368
Up to three months overdue but not impaired	**1,657**	1,023
Over three months overdue but not impaired	**4,442**	2,890
	817,713	772,281
Individually assessed as impaired	**8,212**	6,912
Loan loss provision	**(4,225)**	(3,620)
Loans and advances to customers at 31 December	**821,700**	775,573

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

28. Risk management policies and objectives continued

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. The Bank uses derivatives to manage interest rate risk.

Interest rate risk is measured throughout the maturity bandings 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 and profit of £307,000 (2022: £769,000) for a positive 2% shift, and a favourable impact of £400,000 (2022: £923,000) 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.

28. Risk management policies and objectives continued

Liquidity risk continued

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

At 31 December 2023	**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	**–**	**–**	**–**	**5,194**	**5,194**
Loans and advance to banks	**623,945**	**–**	**–**	**930**	**624,875**
Loans and advances to customers	**131,173**	**151,103**	**484,635**	**54,789**	**821,700**
Debt securities	**49,650**	**21,726**	**74,721**	**–**	**146,097**
Other assets	**17,073**	**670**	**–**	**22,065**	**39,808**
Total assets	**821,841**	**173,499**	**559,356**	**82,978**	**1,637,674**
Liabilities:					
Derivatives	**–**	**–**	**–**	**3,069**	**3,069**
Customer accounts	**864,053**	**303,808**	**290,638**	**46,067**	**1,504,566**
Other liabilities	**30,260**	**4,688**	**–**	**10,000**	**45,048**
Shareholders' funds	**–**	**–**	**–**	**84,991**	**84,991**
Total liabilities	**894,413**	**308,496**	**290,638**	**144,127**	**1,637,674**
Gap	**(72,572)**	**(134,997)**	**268,718**	**(61,149)**	**–**
Cumulative gap	**(72,572)**	**(207,569)**	**61,149**	**–**	**–**

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	–	–

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

28. Risk management policies and objectives continued

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 customers' 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 2023 £000	Group and Company 2022 £000
Financial assets		
Forward currency contracts	**–**	–
Interest rate swaps	**5,194**	9,813
Convertible preferred stock	**124**	107
Financial liabilities		
Forward currency contracts	**–**	–
Interest rate swaps	**3,069**	472

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.

29. Related party transactions

Entities with control, joint control or significant influence over the entity

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.

	2023 £000	2022 £000
Income	**158**	70
Expenditure	**1,528**	1,380
Companies under common control:		
– Amounts owed by related parties	**2**	2
– Amounts owed to related parties	**4,463**	3,936
Pension funds and charitable foundation:		
– Amounts owed by related parties	**–**	–
– Amounts owed to related parties	**346**	346

29. Related party transactions continued

Entities with control, joint control or significant influence over the entity continued

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 £83,789 (2022: £nil) for rent of property and WHL £74,212 (2022: £70,313) for services rendered. During 2020 the Bank, as the owner of the property at Wellingborough, agreed a three-year rent holiday for Weatherbys Limited ending 31 March 2023.

Services of £1,482,535 (2022: £1,379,555) were provided by WL.

The Bank also paid WL £5,945 (2022: £nil), WGSBL £11,077 (2022: £7) and WHL £28,632 (2022: £nil) in interest on deposits held by them.

At 31 December 2023, the Bank held deposited funds of £487,102 (2022: £826,806) on behalf of WL, £10,237 (2022: £10,465) on behalf of WIGSBL, £1,489,897 (2022: £1,039,157) on behalf of WGSBL and £2,408,508 (2022: £1,983,098) on behalf of WHL.

At 31 December 2023 the Bank owed WL £67,472 (2022: £76,345) relating to services rendered. At 31 December 2023 WHL owed the Bank £1,631 (2022: £1,652) 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.

	2023 £000	2022 £000
Income	**9,167**	6,775
Expenditure	**–**	–
Amounts owed by related parties	**236,923**	199,189
Amounts owed to related parties	**721**	372

Entities over which the entity has control, joint control or significant influence

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 £546,000 (2022: £419,302) for services rendered and services of £nil (2022: £nil) were provided by AFL to the Bank.

The Bank paid WBHL £nil (2022: £nil) in interest on deposits held by them and received from AFL £8,621,000 (2022: £6,355,627) in interest on lending facilities held.

At 31 December 2023, the Bank held deposited funds of £17 (2022: £17) on behalf of WBHL, £513,469 (2022: £250,801) on behalf of WGS and £3,684 (2022: £3,684) on behalf of WNL. At 31 December 2023 the Bank was owed £235,486,673 (2022: £198,444,979) for lending facilities provided on behalf of AFL and £1,232,141 (2022: £626,467) 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.

	2023 Number	**2023 £000**	2022 Number	2022 £000
Loans	**5**	**4,386**	5	5,074
Deposits	**12**	**1,152**	13	1,675

The total compensation paid to key management personnel for services provided to the Group was £5,371k (2022: £5,561k).

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

30. 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 2023	Turnover 2023 £000	Profit or loss before tax 2023 £000	Cash tax paid on profit or loss during the year 2023 £000	Public subsidies received during the year 2023 £000
United Kingdom	**396**	**88,426**	**33,085**	**5,613**	**–**

31. 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.

32. 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 Based on notional value of the derivative	Fair value through profit and loss
Loans and advances to customers		
Finance Leases	Fixed interest rates Fixed term	At amortised cost
Hire purchase agreements	Fixed interest rates Fixed term	At amortised cost
Loans and advances	Fixed and variable interest rates Fixed and variable term	At amortised cost
Deposits at Banks	Non-interest bearing and variable interest rates Instant access	At amortised cost
Debt securities	Fixed and variable interest rates Fixed term	At amortised cost
Loans to joint venture	Variable rate Fixed term	At amortised cost
Loans to group undertakings	Variable rate Variable term	At amortised cost
Investments in unlisted equity	Non-interest bearing Medium to long term	At cost less impairment
Amounts owed to customers	Fixed or variable interest rate Fixed or variable term Short to medium term	At amortised cost

Notes forming part of the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

32. Financial instruments continued

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

	Banking Group		Bank	
	2023 £000	2022 £000	**2023 £000**	2022 £000
Financial assets				
Measured at fair value through profit or loss				
Derivative financial assets (note 28)	**5,194**	9,813	**5,194**	9,813
Convertible preferred stock (notes 28 and 20)	**455**	438	**124**	107
Instruments measured at amortised cost				
Loans and advances to banks (note 12)	**624,875**	585,221	**624,130**	584,719
Loans and advances to customers (note 15)	**821,700**	775,573	**814,106**	771,129
Debt Securities (note 17)	**146,097**	207,605	**146,097**	207,605
Measured at cost less impairment				
Investment in subsidiaries (note 18)	**–**	–	**10**	10
Investments in unlisted equity (note 19)	**670**	610	**–**	–
Measured at amortised cost				
Trade and other debtors (note 21)	**1,913**	1,711	**2,805**	1,336
	1,600,904	1,580,971	**1,592,466**	1,574,719
Financial liabilities				
Measured at fair value through profit or loss				
Derivative financial liabilities (note 28)	**3,069**	472	**3,069**	472
Instruments measured at amortised cost				
Customer accounts (note 22)	**1,504,566**	1,521,191	**1,505,287**	1,521,563
Measured at amortised cost				
Other liabilities (note 24)	**22,582**	7,063	**20,226**	8,465
Measured at amortised cost				
Subordinated Loan (note 23)	**10,000**	10,000	**10,000**	10,000
	1,540,217	1,538,726	**1,538,582**	1,540,500

32. Financial instruments continued

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

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	**2023 £000 Level 3**	2022 £000 Level 3	**2023 £000 Level 3**	2022 £000 Level 3
Financial assets				
Measured at fair value through profit or loss				
Derivative Financial assets (note 28)	**5,194**	9,813	**5,194**	9,813
Convertible preferred stock (notes 28 and 20)	**124**	107	**124**	107
Financial liabilities				
Measured at fair value through profit or loss				
Derivative Financial liabilities (note 28)	**3,069**	472	**3,069**	472

33. Non adjusting post Balance Sheet events

There are no post Balance Sheet events.

Company information

Directors

D C Bellamy	Resigned 1 March 2024 (Non-executive Chairman to 29 February 2024)
R N Weatherby	(Chairman from 1 March 2024)
Q N J Marshall	
A Turberville Smith	
C Machell	(Non-Executive)
P D Vail	(Non-Executive)
N J Millar	(Non-Executive)
M C Batten	(Non-Executive) Appointed 12 July 2023

Secretary and registered office

F C Noonan
52-60 Sanders Road
Finedon Road Industrial Estate
Wellingborough
Northamptonshire
NN8 4BX

Company number

02943300

Auditor

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United Kingdom

Design and Production
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