Recognise Bank

Annual Report and Accounts

2025

OVERVIEW

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FINANCIAL STATEMENTS

Recognise Bank's vision statement is:

Building stronger futures with bespoke financial solutions

Recognise Bank's values are:

- Can do, will do
- Do the right thing
- Be brilliant
- Make a difference

Highlights

Business development

- Loan book maintained at £306m at year-end and, supported by a healthy pipeline, is well-placed for expansion in the current year.
- Personal and Business Savings balances increased by £72.6m over the year to £484.3m at year-end.
- £20m capital injection received on 1 November 2024 from the Bank's largest shareholder, Parasol V27 Limited, as the first tranche of investment under its Subscription Agreement. This facilitated restructuring and implementation of the recently-approved Board revised strategy.
- The second tranche of £5m from PV27 under its Subscription Agreement is expected to be invested in October 2025. These funds will be used to underpin implementation of the revised strategy.

Financial results

£5.3m loss

Loss before tax after restructuring costs of £2.3m (2024: £9.3m loss before tax)

£305.6m

Loan book at 31 March 2025 (2024: £302.7m)

£484.3m

Deposits at 31 March 2025 (2024: £411.7m)

Reports

Page 5 comprises the Chair's statement, page 6 the CEO's report, pages 7 to 23 the Strategic report and pages 32 to 33 the Directors' report, all of which are presented in accordance with the Companies Act 2006. The liabilities of directors in connection with these reports shall be subject to the limitations and restrictions provided by such law. These reports are intended to provide information to shareholders and are not designed to be relied upon by any other party or for any other purpose.

Disclaimer

This annual report and accounts may contain certain statements about the future outlook for Recognise Bank Limited. Although we believe our expectations are based on reasonable assumptions, any statements about the future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

Overview

Recognise Bank Limited (“Recognise Bank”, “Recognise”, “the Bank” or “the Company”)

Recognise Bank is a UK-licensed bank that focuses on serving both the UK SME lending market and personal and business savers. As a relationship-led SME lending bank, it is committed to offering customised lending and savings solutions to meet the changing finance needs of UK businesses and the savings requirements of both personal and business customers.

As part of its revised strategy, the Bank intends to actively move towards higher margin lending products, initially in property finance.

Abbreviations and glossary

AIM	Alternative Investment Market
ALCO	Asset and Liability Committee of Recognise Bank
BRC	Board Risk Committee of Recognise Bank
CAML	Credit Asset Management Limited
CBES	Climate Biennial Exploratory Scenario
CCI	Credit Cycle Index
CEO	Chief Executive Officer
CET	Common Equity Tier
CRO	Chief Risk Officer
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EPC	Energy Performance Certificate
ERC	Executive Risk Committee of Recognise Bank
ESG	Environmental, social and governance
FCA	Financial Conduct Authority
FiT	Forward-in-Time
FY24	Financial year ending 31 March 2024
FY26	Financial year ending 31 March 2026
FY27	Financial year ending 31 March 2027
GDP	Gross Domestic Product
GHG	Greenhouse Gas
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk in the Banking Book
KPI	Key Performance Indicator
LGD	Loss Given Default
MLRO	Money Laundering Reporting Officer
NIM	Net income margin
PD	Probability of Default
PCAF	Partnership for Carbon Accounting Financials
PRA	Prudential Regulation Authority
PV27	Parasol V27 Limited, the majority shareholder
RCSAs	Risk and Control Self-Assessments
ROTE	Return on tangible equity
SECR	Streamlined Energy and Carbon Reporting
SICR	Significant Increase in Credit Risk
SID	Senior Independent Non-Executive Director
TCFD	Task Force on Climate-Related Financial Disclosures

Climate change: definitions of Scope 1-3 emissions under the UK government SECR regulations

Scope 1: Direct GHG emissions that occur from sources owned or controlled by the reporting company, i.e. emissions from owned or controlled boilers, furnaces, vehicles, etc.

Scope 2: Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.

Scope 3: All other indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting company, broken down into: Upstream emissions – that occur in the life cycle of a material/product/service up to the point of sale by the producer, such as from the production or extraction of purchased materials; and Downstream emissions – that occur from the distribution, storage, use, and end-of-life treatment of the organisation’s products or services. The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard categorises scope 3 emissions into 15 categories. ‘Financed’ emissions resulting from a reporting company’s loans and investments fall under scope 3 downstream emissions, specifically under scope 3 category 15 (investments).

Awards and commendations received by Recognise Bank

Recognise Bank is proud to be acknowledged for its ongoing commitment to providing exceptional financial services to both personal and business customers. Over the past twelve months, our dedication to innovation and customer satisfaction has been reflected in a series of prestigious industry award nominations and acknowledgements.

Winner, Best Monthly Interest Savings Provider, 2025 Moneynet Personal Finance Awards

Recognise Bank has been awarded Best Monthly Interest Savings Provider at the Moneynet Personal Finance Awards, for the second year in a row, following a Highly Commended recognition received in the previous year. This accolade is a great reflection of our commitment to offering our customers competitive interest rates and flexible savings options.

Winner, Best Monthly Interest Savings Provider & Best Notice Savings Provider, 2025 MoneyComms Top Performers

As a further testament to Recognise Bank's award-winning products and services, we were delighted to be named as winner in two categories in the 2025 MoneyComms Top Performers: Best Monthly Interest Savings Provider and Best Notice Savings Provider. Recognise Bank is committed to delivering high quality products and services to our customers and we are pleased to have been recognised for our efforts in these two categories.

Finalist, Best Business Variable Rate Deposit Account Provider, 2025 Business Moneyfacts Awards

The Business Moneyfacts Awards is an annual event which seeks to recognise and commend the financial products and services that best support the sector. Recognise Bank is pleased to have been included as a finalist for the Best Business Variable Rate Deposit Account Provider award, demonstrating our continued commitment to supporting UK SMEs to thrive.

To be recognised in a number of Award ceremonies and across a range of categories exemplifies our mission to provide exceptional deposit savings products and services for our personal and business customers.

Recognise Bank customer stories

Over the last twelve months, Recognise Bank has been able to support a range of businesses and property investors with their lending needs. Below are just some of the examples that highlight the breadth and depth of service we provide:

Completing a £3.6m loan in just 21 days

Recognise Bank successfully provided a £3.6 million bridging loan in just 21 days from credit approval, which underscores our ability to deliver fast, flexible lending solutions for UK SMEs and property investors. Our tailored approach to lending was pivotal in completing the transaction effectively and quickly.

The Recognise team worked closely with Sinead Cowgill of Eight Finance Group who said, “This has been a fantastic first deal with Recognise Bank … Their professional and proactive approach has been crucial, our mutual client was delighted with the service received and we look forward to working together again in the future.”

£846,000 bridging loan completed around holiday period

Recognise Bank completed an £846,000 bridging loan in West London for the development of a business operations and trading facilities site. The site located in Hayes, West London is an area undergoing major regeneration. Recognise Bank was able to leverage a 70% LTV on the derelict commercial building. The client praised our responsive service, underscoring our ability to fund strategically located assets swiftly and enable clients to maintain momentum in competitive markets.

The borrower, Jagbir Singh Dhillon of the Shah Group praised their experience with Recognise Bank, “It has been a pleasure to work with the Recognise lending team. Their invaluable support during the loan process filled us with great confidence in their ability to deliver to the specific demands of the deal. We greatly appreciate their speed, communication and flexible approach, in particular given the added difficulties around the Christmas period. We look forward to building on our relationship with them in the future.”

Fast, competitive £4.65m bridging loan, tailored for a complex mixed-use asset

Recognise Bank was approached for an urgent closed bridging refinance to facilitate the separation of a mixed-use asset from an existing portfolio. This asset comprised a short-stay residential block of 100 apartments along with a restaurant and meeting rooms. A sale contract was already in place and timing was critical.

The borrower, who had several offers on the table, indicated they would proceed with Recognise Bank if a competitive quote and fast execution could be achieved. Recognise Bank fine-tuned its proposal and moved swiftly, enabling drawdown within just four weeks of the initial enquiry.

Chair's statement

Since I last wrote to you in November last year, Recognise Bank has made good progress: the underlying loss before restructuring costs at £3m represents a 67% improvement on the previous year. This reflects both an increase in annualised net operating income of £3.2m and, most pleasingly, a reduction in annualised costs of £3.1m and significantly lower use of external advisors as well as the early signs of balance sheet growth as the new management team starts to allocate the additional capital provided by the majority shareholder, PV27, in November 2024.

With a charge for restructuring costs of £2.3m in the year, we anticipate our overall restructuring charge will now be in the region of £3m rather than the £4m that I anticipated previously.

The revised strategy and financial plan agreed by the Board is covered in greater detail in the CEO Report: the new management team is making good progress in recalibrating the cost base and adopting a more commercial approach to balance sheet growth and NIM management, the combination of which should see the Bank move into 'in month profitability' in the current financial year, at which point the Bank will be self-sustaining from a capital perspective for the first time in its history.

Recognise Bank will not be immune to the challenging economic back drop in the UK and the volatility created by the evolving global influences and any plan is dependent upon effective execution. As a Board, we believe we have a management team that is more than capable of navigating these challenges and one that will continue to build on the progress made in the relatively short period key individuals have been with Recognise Bank.

As I indicated in my last statement, the Board has been strengthened with the addition of several new Independent Non Executive Directors: their biographies are covered on pages 24 to 26. Greg Jones has taken on the Chair role of the Board Risk Committee, Alison Tattersall now leads our Board Remuneration Committee and Suzanne Clark will, subject to regulatory approval, chair the Board Audit Committee, succeeding Richard Gabbertas who will retire from the Board at the end of July. Richard has served on the Board and its Committees for 6 years, providing wise counsel and guidance and we wish him well for the future.

PV27 has taken up one of two Board seats to which it is entitled: Dan Erel became a shareholder nominated director on 7 April 2025.

The Board has worked closely with the executive team over the last few months in developing the revised strategic and financial plan and our focus will now be on its execution - delivering consistent and sustainable profitability which in time will underpin the potential for shareholder distributions.

I would like to close by thanking my Board colleagues for their time, commitment, energy and enthusiasm, the management team and their colleagues for all their hard work in stabilising and starting to rebuild the Bank and to all of our shareholders for their ongoing support.

Steve Pateman
Chair

16 July 2025

CEO report

Since joining Recognise Bank as CEO in November 2024, I am pleased to report that my management team is now overseeing the execution of the revised strategy and financial plan with the aim to achieve sustained in-month profitability this financial year.

I have welcomed a new Chief Risk Officer (Simon Wilson), Chief Commercial Officer (Caroline Luxmore) and Chief Financial Officer (Tristan Mahoney) who joined the management team between December and early March to focus on cost optimisation, automation and efficiency and support re-entry into the lending market, after redefining the strategy and financial plan.

The capital injection from PV27 enabled Recognise Bank to relaunch its Bridging proposition in November, achieving steady market penetration, which grew the lending book to £306m on 31 March 2025 whilst deposits grew to £484m on the same date. Working with our existing Strategic Partners and Brokers, we can support customers who require bespoke lending solutions to support their needs. Recognise Bank has been well received back into the market.

To support the revised strategy, we are resetting our culture, introducing a new vision and re-invigorating our purpose that will enable us to build stronger futures for our customers through the delivery of high quality bespoke financial solutions. We know that no two financial needs are the same, so we will work with our customers to unlock potential financial solutions that other banks may overlook. The smart, flexible financial solutions we provide to UK SMEs are designed to support them as they grow. We will also grow our deposit customer base to support the increased lending we will deliver and with this scale comes the ability to increase our returns. Coupled with the focus on cost management and improved risk management, we anticipate reaching in-month profitability in September 2025 and achieving full year profitability in FY27.

The new management team believes that despite current and future economic uncertainty, it has sufficient experience, drive and ambition to deliver an attractive ROTE whilst growing the balance sheet to £1bn without the need for additional capital support. I couldn't be more excited about the future for Recognise Bank as the opportunities we have ahead of us are immense and I am confident that with the new foundations we have implemented and continued passion and hard work across the whole team, we will be successful in delivering the strategy in FY26 and beyond.

I would like to thank the Board, the shareholders, the management team and the entire company for their support, dedication and hard work to date as we collectively approach the challenge of the forthcoming financial year.

Simon Bateman
Chief Executive Officer

16 July 2025

Strategic report

Financial summary

The Net interest income and results before tax of the Bank are shown below:

	2025 £'000	2024 £'000
Net interest income	15,462	12,333
Loss before tax (a)	(5,332)	(9,259)

(a) Including one-off reorganisation and restructuring costs of £2,325,000 (2024: nil).

The key indicators of development for the Bank during the year were:

	2025 £'000	2024 £'000
Loan book at year end	305,596	302,710
Deposits at year end	484,311	411,667

The Bank's performance at a net interest income level improved during the year by £3.1m as the Bank received a full year of interest generated from the loan book increases in the prior period.

The operating loss level improved by £3.9m. This was driven by the increase in net interest income, as initial cost savings have been offset by restructuring costs. As we move forward these cost savings will be noticeable in the strategy to stabilise and grow the Bank.

The impairment provision remains disappointing, primarily relating to further write downs in the two legacy positions noted in the prior year and an idiosyncratic risk pushing a commercial bridging loan into stage 3. Nevertheless, the charge is £1.0m lower than in the previous period and the loan book overall continues to perform well.

Following the November 2024 capital injection, Recognise Bank has been able to maintain and marginally grow the loan book. The Bank is expanding its shorter-term lending and the initial phase of this took place in the final months of the year. This will ramp up over the course of the current year in line with our strategy.

Recognise Bank had a strong liquidity position at the year-end as deposits increased by £72.6m to £484.3m.

Following the capital injection Recognise Bank is in a stable capital position with total equity of £68.8m, a 27.1% increase on the prior year.

Credit Asset Management Limited, the Bank's only subsidiary, went into members' voluntary liquidation on 24 March 2025 after the run-off of its loan and lease portfolio had been completed. Accordingly, the financial statements of Recognise Bank for the year to 31 March 2025 relate only to the Company itself.

Strategic report / Review of the business/ continued

Current activities

The Bank's reported results will improve as Recognise Bank executes the revised Board strategy and moves towards profitability.

Since the year-end we have continued to work with our existing strategic partners, both in loans and savings, to generate new business and deposits. Loan advances made by Recognise Bank in April 2025 exceeded £22m.

This strategy will rationalise the cost base of Recognise Bank and in the near-term will focus on the core market of short-term bridging lending on both residential and commercial property to drive the Bank towards stability and profitability.

We continue to strengthen our deposit offerings to both retail and business savers by simplifying and focusing on the core products they use.

Review of the business

Activities during the year

The increase in the Bank's capital base in November 2024 has allowed a revised strategy to be put in place which will enable it to expand its business significantly over the coming year, building on the foundations which were already in place.

Recognise Bank uses an integrated value-based strategic planning approach, building on Recognise Bank's existing strengths of a knowledgeable, experienced lending team and a cloud-based banking platform, identifying how the Bank can best deliver its aim of becoming the UK's leading digital bank for the SME sector over the coming years.

Recognise Bank is increasing its exposure in shorter-term property secured bridging finance in line with the demand we are seeing from customers.

Lending opportunities are sourced through Recognise Bank's lending team whose focus is on building long-term relationships with a network of brokers introducing new borrowers as well as direct loan origination from individual lending managers' own long-standing contacts. This origination channel is complemented by co-lending arrangements that have been established in the bridging sector to broaden Recognise Bank's origination reach in this growing market.

Recognise Bank continued to attract savings from both business and personal savers during the year by offering competitive rates. We continue our relationship with Insignis Cash. These savings accounts, available initially only to business savers, became available to both personal and business customers in mid-March 2024 and have continued to be popular with depositors. The liquidity position at the year-end was healthy, providing a platform for future growth.

Recognise Bank continues to be committed to the SME sector, offering relevant products and services to meet the changing finance needs of UK businesses and the savings requirements of both personal and business customers. It is building a bank that can offer customised lending and savings solutions to the SME sector which, although the backbone of the UK economy, continues to be under-served by the incumbent, traditional banks.

Strategic report / Review of the business/ continued

A Bank for SMEs

The Bank continued its programme of developing IT systems during the year to support the continuing growth of the Bank's activities and deliver a better experience for customers and colleagues. The programme includes building a diversified and innovative product suite and developing cutting edge data analytics.

Capital

Under the Subscription Agreement with PV27 signed on 1 November 2024, PV27 agreed to inject up to £25m in the Bank, further increasing our capital base. The first tranche of £20m was received on 1 November 2024 and is being used to underpin a restructuring of the Bank and actively move the business to higher margin lending products, initially in property finance. The second tranche is due to be invested in October 2025 either as equity capital or as an AT1 issuance.

Regulatory

The Bank continues to fulfil all its regulatory obligations.

Risk management

Our approach

The Bank aims to manage the risks inherent in its day-to-day business activities through a combination of disciplined and diligent risk management alongside a proactive, risk aware culture where all colleagues understand their role in managing risk.

Recognise Bank's approach to Risk Management continues to evolve to reflect the changing risk landscape and notable activities this year include:

- investment in strengthening our cyber security controls, partnering with a globally recognised security managed services provider to complement our existing technologies with additional 24x7x365 support;
- successful ongoing embedding of Consumer Duty across the Bank, under the guidance of the Board 'champion';
- proactive, thematic credit reviews – regular thematic reviews of different aspects of the Bank's lending book are carried out by the Credit team and presented for discussion at Credit Committee and Board Risk Committee ('BRC'). Areas covered include, inter alia, specific lending products, larger loans, loans secured against retail properties, and loans secured against properties which analysis suggests may have fallen in value;
- enhanced corporate governance including revised Terms of Reference for the Board and Executive Committee ('ExCo') as well as revised Board and ExCo papers, supporting improved decision making; and
- reinforcing a positive risk culture via a series of informal and formal training sessions for all colleagues.

The Board believes five key components support effective risk management:

i. Risk Appetite
ii. Risk Management Strategy
iii. Risk Management Framework
iv. Governance
v. Culture

Further detail is provided on each of these areas below:

i. Risk Appetite

The Risk Appetite Statement, which is approved by the Board, includes qualitative and quantitative measures of risk within which the Bank is willing to operate. Each risk appetite category is owned and reviewed regularly by a member of the Executive team and is independently reviewed by the CRO, with the position measured against risk appetites reported monthly to the Board.

ii. Risk Management Strategy

The CRO leads a bank-wide annual reassessment of the risk management capability needed to support the business over the next 12 to 18 months and sets out any actions required to improve and develop the Risk Management Framework. This Risk Management Strategy is then subject to approval by the BRC, with progress on implementing any actions also reported regularly to the BRC.

Strategic report / Risk management/ continued

iii. Risk Management Framework

Recognise Bank operates the three lines of defence model:

- The first line of defence accepts, manages, and declines risks; owns the risks and implements controls and/or other methods to mitigate the risks, as required; and operates within the Board approved Risk Appetite Statement and supporting limits.
- The second line of defence (Risk and Compliance teams) supports the Board in establishing and maintaining the Risk Management Framework; provides independent challenge to the business; provides assurance through a risk and compliance monitoring and testing plan; provides independent reporting to the Board against risk appetite; and reports to the BRC.
- The third line of defence (Internal Audit) independently reviews the internal control environment, including culture and governance, and reports to the Audit Committee.

Enterprise risk management

All business areas maintain risk and control self-assessments (‘RCSAs’) within an enterprise risk management system which records relevant risks and controls. RCSAs are subject to approval by members of ExCo and are subject to re-certification and approval at regular intervals which are set according to the risk.

Material risks based on these RCSAs are reported to the Executive Risk Committee (‘ERC’) monthly and to the BRC on an exception basis (i.e. those risks which are outside risk appetite).

Emerging risks

All colleagues are tasked with identifying emerging risks and ensuring these are adequately captured in the enterprise risk management system. Recognise Bank maintains a risk radar which includes emerging risks identified from regulatory and industry publications. A list of the principal risks faced by Recognise Bank and its approach to managing them is given below.

Scenario testing

Recognise Bank runs an annual programme of adverse scenarios, such as a cyber attack, to test the adequacy of controls and to self-assess its ability to remain within impact tolerances for Important Business Services using severe but plausible stress scenarios. The results of these tests, including any lessons learned, are shared with the Board on a regular basis.

iv. Governance

The Board has overall responsibility for ensuring the Bank operates in a safe and sound manner and for establishing an organisational structure to discharge this duty.

The BRC is responsible for oversight of the Risk Management Framework. The Board Audit Committee is responsible for oversight of a risk based Internal Audit programme to provide assurance on the Bank’s internal control environment.

Strategic report / Risk management/ continued

Oversight is provided through the following committees that have been established by the Board as part of the risk management framework:

Forum	Responsibilities
Board Risk Committee	Responsible for oversight of the Risk Management Framework of the Bank, including reviewing and approving Risk Appetite Statements, stress and scenario testing; key policies, principal risks and mitigants, the annual Compliance Monitoring Plan, overseeing exception reporting and approving management action plans.
Board Audit Committee	Responsible for oversight of the internal control environment of the Bank, including culture, risk awareness, and the adequacy and effectiveness of internal controls. It oversees the Internal Audit function, reviewing and approving the annual Internal Audit plan and receiving the Internal Audit reports, and the annual Whistleblowing Report.
Executive Risk Committee	The Executive Risk Committee supports the BRC and is responsible for the oversight of all risk matters, including key documents relating to the Risk Management Framework of the Bank, other than those covered by the Asset and Liability Committee and Credit Committee, and for providing challenge to them.
Asset and Liability Committee	The Asset and Liability Committee ('ALCO') is responsible for oversight of the Bank's funding and liquidity risks, and for interest rate risk. It provides reports to the BRC to assist it in overseeing those risks.
Credit Committee	The Credit Committee is responsible for oversight of the credit risk profile of the Bank, including responsible lending, stress testing of the books, monitoring the credit risk profile and credit concentration, and monitoring arrears and loans in default.
Model Risk Committee	The Model Risk Committee is responsible for oversight of the use of, and reliance on, models in the Bank.
Operations Committee	The Operations Committee is responsible for oversight of the Bank's operations (including all change management) and for approving and overseeing the implementation of all new products and services and any material changes to existing products and services.

Strategic report / Risk management/ continued

v. Culture

Recognise Bank understands the need for an open and clear risk management approach and the risk culture in the Bank is designed to facilitate:

- strong risk awareness across the organisation;
- a reward structure that aligns with risk appetite and reinforces the risk management culture;
- risk-aware decision making in line with strategic goals;
- clarity in roles and responsibilities within the three lines of defence; and
- risks being identified, quantified, managed and reported in a timely fashion.

All employees are provided with risk training as part of their induction and have on-going refresher training.

Risk and Compliance functions

The Risk function, led by the CRO, and the Compliance function, led by the General Counsel, Chief Compliance Officer & MLRO, are responsible for oversight of risks in the Bank. This is achieved by:

- providing support and advice to the first line of defence;
- establishing the risk management framework;
- monitoring the performance of the business against those risks; and
- reviewing action plans where risk appetite is, or is at risk of, being exceeded.

All colleagues

All colleagues have a responsibility for risk identification and management. This includes the identification and assessment of risks, working openly and cooperatively with the second and third lines of defence and addressing recommendations or findings on a timely basis.

Each business area is responsible for maintaining clear processes, and managers are responsible for ensuring their staff have appropriate skills and/or experience and training for their roles.

Strategic report / Risk management/ continued

Principal risks and uncertainties

The objective of the Board is to set policies to manage and mitigate risk within acceptable levels whilst maintaining the Bank's ability to achieve its strategic objectives. The Risk Appetite Statement covers the Principal Risks identified in the table below.

Risk Description	Key Mitigants and Controls	Commentary
Strategic – The risk to the Bank's revenue as set within the budget and the medium-term plan arising through sub-optimal implementation of the strategy as approved by the Board. In assessing strategy risk, consideration is given to both internal and external factors.	Regular forecasting which takes into account forecast economic circumstances, the actual outcomes to date compared to assumptions and which is subject to Board approval.	The Bank regularly reviews its strategy and during the last financial year has diversified its sources of liquidity through the use of a deposit aggregator. The Bank has continued to invest in its digital capabilities to minimise the time required to decide on and execute lending decisions.
Climate Risk - The risk that loan assets are adversely impacted by climate change (eg flooding). The risk that loan assets are adversely impacted by the transition to a low carbon economy.	Climate Risk impact of loans made by the Bank is assessed individually during the loan underwriting process. The Bank measures and reports the loan book by EPC rating and flood risk.	Carbon Accounting company Greenly will measure our Scope 1-3 emissions (aligned to the PCAF and GHG protocol) for the financial year. Findings from this will inform future climate strategy that will be implemented in the medium term.
Prudential - The risk that the Bank does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost, or that the Bank does not have sufficiently stable and diverse sources of funding, or that the funding structure is insufficient caused by the adverse movements in external markets and or ineffective internal controls.	Regular monitoring and reporting of the actual and forecast capital and liquidity positions of the Bank, including actual and forecast positions against risk appetite. The Bank has a Recovery Plan that sets out the management of capital and liquidity under business as usual, when the risks are increased, and if we are outside risk appetite. These are reviewed and approved by the Board annually.	As the Bank is not yet profitable, capital is a key risk for the Bank. We regularly review the position and closely monitor the capital run rate including headroom over regulatory and management buffers. The Bank takes deposits from individuals and SMEs and has been successful in raising funds to support its lending and liquidity. Longer dated loans are largely funded by longer dated funding, supplemented by notice accounts. Easy access deposits are used to boost the level of highly liquid assets.

Strategic report / Risk management/ continued

Risk Description	Key Mitigants and Controls	Commentary
Credit - The risk of a reduction in earnings and/or value as a result of the failure of the party with whom the Bank has contracted to meet obligations (both on and off balance sheet) as they fall due, taking into account the sector and geography.	Loans are subject to detailed underwriting that takes into account affordability, borrower experience, and the ability to maintain repayments under stress. The majority of our loan book is lending against real estate, which is directly secured by property collateral. Lending and loan book quality is reported regularly and is subject to quarterly second line reviews that are reported to the BRC. Lending is subject to stress testing using parameters that are at least as severe as the Bank of England annual scenario.	The Bank continues to originate loans at a robust credit quality. The risk rating of over 93% of the customer lending book is either Good or Strong and average LTVs on property lending remain robust. The ECLs on the loan book are within the Bank's risk appetite. Lending staff work closely with borrowers to provide support and manage the risk of loss to the Bank.
Operational Risk - The risk of loss caused by human error, ineffective or inadequately designed internal processes, system failure, improper conduct and external events.	The Bank maintains a comprehensive suite of policies, including those relating to Third Parties and Business Continuity, Information Security and Cyber Security that are subject to annual review and approval by the BRC. Third parties are subject to assessment as Critical, Important or Other at inception. Depending on their classification they are subject to enhanced due diligence. The due diligence is repeated regularly: at least annually for Critical and Important third parties, and more regularly if the assessment deems that appropriate.	The Bank has reviewed, redesigned and embedded a framework for Operational Resilience that aligns the relationship between third parties, important business services and service level tolerances with contingency plans that place customer outcomes at the heart of decision making.

Strategic report / Risk management/ continued

Risk Description	Key Mitigants and Controls	Commentary
Cyber - The risk that the Bank is subject to a successful cyber attack.	The Bank employs a range of controls, including administrative, physical, and logical measures, to establish a defence-in-depth strategy against cyber threats in accordance with the risk appetite outlined by the board. Regular exercises are conducted to test our response capabilities and identify areas for improvement. Additionally, we conduct monthly phishing simulations, sending emails to all employees that simulate real-life social engineering tactics employed by cybercriminals.	The risk of cyber attacks is on the rise, particularly with the proliferation of Generative AI and advancements in the digital landscape. Given the frequent targeting of financial services, the Bank regularly reviews its cyber strategy and tools, aligning them with both the Bank's overarching strategy and the evolving threat landscape. Identified risks undergo assessment in accordance with the Bank's risk appetite, and appropriate actions are taken on a risk-by-risk basis.
Conduct and Reputational - Conduct Risk is the risk of customer detriment or harm due to inappropriate culture, improper business conduct and/or poor customer treatment. Reputational Risk is the damage that could be caused to Recognise Bank's brand, customer perception, market perception and its relationship with the regulator.	The Bank has a Conduct Risk Policy that is subject to annual review and approval by the BRC. We have processes and procedures which are designed and implemented to achieve compliance with that policy. A Conduct Risk dashboard is reported to the Executive Risk Committee monthly and to the BRC on an exception basis.	The Bank operated within its conduct risk appetite throughout the year. The Bank successfully manages its Consumer Duty Programme and continues to monitor how it provides good customer outcomes.

Strategic report / Risk management/ continued

Risk Description	Key Mitigants and Controls	Commentary
Legal and Regulatory – The Bank does not fulfil its legal or regulatory requirements and obligations or is used for criminal purposes rather than legitimate business.	The Bank has a Compliance Risk Policy that is subject to annual review and approval by the BRC. There are processes and procedures which are designed and implemented to achieve compliance with that policy. A Compliance Monitoring Plan is reviewed and approved annually by the BRC, with progress against it and the outcomes of the reviews being reported to the BRC and the Executive Risk Committee. The Bank has an Anti-Money Laundering and Counter Terrorist Financing Policy (‘AML and CTF Policy’) that is subject to annual review and approval by the BRC. There are processes and procedures which are designed and implemented to achieve compliance with that policy. An annual report is made by the Money Laundering Reporting Officer (‘MLRO’) to the BRC, as well as monthly updates. The MLRO reviews compliance with the AML and CTF Policy across the lending and deposit taking portfolios, reporting to the Executive Risk Committee.	The Compliance Monitoring Plan has been updated and reflects more real time compliance advisory services to challenge and support the first line. The Bank has operated within the defined Financial Crime risk appetite. Monitoring and screening capabilities are continually reviewed to align with business strategy.

Climate change

Recognise Bank is committed to integrating environmental, social and governance (ESG) principles into its core business strategy, operations, and portfolio management.

Recognise Bank's approach to managing climate change continues to evolve in line with changing regulatory expectations, emerging industry standards and its growing balance sheet.

Recognise Bank is not required to disclose its energy use and GHG emissions for the year ended 31 March 2025 as this was the first year the Company met the criteria for complying with the Streamlined Energy and Carbon Reporting (SERC) regulation.

However, Recognise Bank has had regard to the recommendations made across the four pillars of the Task Force on Climate-Related Financial Disclosures (TCFD) when considering what it should do in relation to the governance, strategy, risk management and metrics applicable for climate change.

In 2023, Recognise Bank completed its first climate change scenario analysis and stress test in conjunction with Deloitte. This analysis considered Recognise Bank's exposure to physical and transition risks (including flood risks and the energy efficiency of properties) across three CBES scenarios and time horizons and concluded there was limited impact at that time arising from the financial impact of climate change. Recognise Bank identified the continuing need to undertake regular climate change stress testing and monitor the impact on capital.

During the year, Recognise Bank engaged Greenly, a leading sustainability platform to establish a baseline measurement for Scope 1-3 emissions, including financed emissions, based on the period to 31 March 2024. The Bank is working with Greenly on a report for the year ended 31 March 2025 which will enable the Bank to estimate and report its Scope 1-3 emissions (aligned to the PCAF and GHG protocol) next year. It will continue to work with Greenly to identify opportunities to reduce the Bank's operational impact.

Risk management

Recognise Bank recognises the risk climate change presents and monitors climate-related risk as a principal risk, which could potentially increase the credit risk for its loan portfolio.

Risk appetite

A climate-related Risk Appetite Statement which has been approved by the Board has been integrated into relevant processes and policies across the Bank, such as the credit underwriting process and third party supplier policies.

Recognise Bank does not lend to borrowers in relation to fossil fuels, hazardous chemicals and explosives, mining and forestry/logging (other than as part of a green natural environment project).

Climate-related risks are considered as part of the lending decision process. The factors currently considered include the energy efficiency (EPC) and the flood risk to the property: Recognise Bank plans to expand the factors considered using third party supplier climate risk data where applicable.

Strategic report / Climate change/ continued

Metrics

Recognise Bank monitors EPC and flood risk ratings for all property collateral to understand its potential exposure to transition and physical risks associated with climate change.

The following tables show the EPC and flood risk ratings for these properties as at 31 March 2025.

	% of properties	
EPC Rating	**2025**	**2024**
A to C	37	25
D to E	55	59
Below E	1	2
No ratings (a)	7	14

(a) Properties with exemptions or where there is no building on the property.

	% of properties	
Flood Risk	**2025**	**2024**
Very low	61	35
Low	34	41
Medium	3	4
High	2	1
No rating (a)	-	19

(a) Less than 1% in 2025. In both years, this includes properties where there is no building on the property and new properties not yet registered on the Environment Agency website.

Operations

The Bank has offices in London and Manchester. Electricity consumption in its London Head Office was 42,026 KWh, up 4.3% from 40,300 KWh in 2024. Using the latest government combined emissions factor for grid electricity, this equates to 9.5 Tonnes CO_2. Its Manchester office is a serviced office where the Bank does not have responsibility for energy costs.

The Bank does not operate a company car scheme. Staff who undertake work-related travel can claim expenses. During the year to 31 March 2025, the Bank has met expenses claims for 2,985 miles (2024: 5,100 miles) of work-related fuel expenses. This excludes journeys by train or air, where there was no incremental use of fuel.

Going concern

The directors’ assessment of going concern has included a detailed review of the base case and stressed cash flow forecasts for the period to 30 September 2026.

In making their going concern assessment the directors have considered:

- the capital structure and liquidity of the Bank over the period;
- the principal and emerging risks facing the Bank and its systems of risk management and internal control;
- uncertainties in the UK economic outlook and actions the Bank could take to mitigate the impact on the Bank;
- the raising of capital by the Bank to support the growth of the Bank in serving the SME market; and
- the capital and liquidity forecasts of the Bank, undertaking stress scenarios which include the effects of incurring greater losses from loan defaults and wider stress in the financial markets and economy impacting cash inflows and outflows.

The Board assesses its future capital and liquidity requirements regularly. The Bank prepares annual budgets that include budgeted cash forecasts and funding requirements which have been reviewed by the Board and form part of the submission made by Recognise Bank to the PRA.

Risk factors

The main financial risk in the forecast cash flows is the potential impact on the Bank's capital of credit losses that could arise in the modelled stressed market environment.

Conclusion

After consideration of the capital and liquidity forecasts, together with related stresses, and the specific risk factor identified above, the directors are satisfied that the Bank has and will maintain sufficient financial resources to enable it to continue operating for the foreseeable future and therefore continue to adopt the going concern basis in preparing the annual report and accounts.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters to:

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

Decision making

An example of how the directors have had regard to the matters set out in the section 172 statement and acted to promote the interests of the Company for the benefit of its members as a whole is given below.

During the year, the Board developed and approved an interim strategy to stabilise the Bank and brought in a new management team to develop an on-going plan to drive the Bank towards profitability and strengthen the resilience of the business, having regard, amongst other considerations, to regulatory perspectives. The new management team was in place by the end of the financial year and with the directors' encouragement the revised strategy was approved by the Board in May 2025.

Culture

The Board is committed to a culture of openness and transparency in relation to its stakeholders, including its employees, supported by a comprehensive framework of key policies and practices. This is underpinned by the Bank's values and behaviours which serve as the guiding principles shaping the culture, decisions and actions of both the Board and employees. Our values align with the Bank's vision.

The Board believes that diversity, equality and inclusion are intrinsic to the success of the business, promoting good employee relations and enhancing the service provided to customers.

Stakeholder engagement

The Board recognises the importance of building strong relationships with stakeholders in order to help the Bank deliver its strategy and promote the development of the business over the long term. Members of the executive team report to the Board on the effectiveness of and outputs from, stakeholder engagement, so that the Board can take the views of stakeholders into account when making decisions.

The key stakeholders are considered to be shareholders, regulators (in particular the PRA and FCA), customers and employees, as well as the wider community and environment.

Given the size of the business and the small number of employees, employee engagement continues to be undertaken by ExCo, with any issues being escalated to the Board. The Board will continue to keep this under review to ensure the mechanisms in place remain effective and appropriate.

Information about the appointment, skills and knowledge of the directors in relation to their statutory duties and other matters where appropriate is given in the Governance statement on page 27.

Strategic report / Section 172 statement/ continued

The importance of each stakeholder group and some ways in which the Board has engaged with the Bank's stakeholders during the year are outlined below.

Shareholders

Shareholders are essential to the Company's ability to access capital to support its strategic objectives and ensure the long-term success of the business.

Through the Chair and Bank executives, the Board maintains a continuing dialogue with existing shareholders in the context of increasing the Bank's future capital base to enable its long-term development.

The Company also communicates with its shareholders through:
- the annual report;
- its website; and
- the Annual General Meeting.

Regulators

The Bank operates only with the support and approval of its regulators.

The Bank seeks to maintain an open and active dialogue with its regulators and strives to meet and exceed the regulators' requirements at all times.

The Bank is operating under the Senior Managers and Certification Regime.

Customers

Customers are the focus of the Bank's business.

The Bank is committed to providing a customer-focused service to the SME market through its relationship-led lending business model, offering relevant products and services to meet the changing needs of its customers. The three customer stories on page 4 show how the Bank has been able to respond to and support businesses with differing requirements during the year.

Employees

The Bank's employees are essential to the Bank's ability to operate.

The Board believes in creating an open culture where all colleagues can thrive, feel supported and valued and are able to develop and grow their careers. The Bank has redefined its values and is resetting its culture to support the revised strategy. The Bank is also undertaking a review of its organisational structure to ensure that everyone understands where they fit into the business and its strategy and to provide clear career paths and opportunities.

The Bank continues to focus on equality, with 41% of leadership roles held by females. The Bank is a member of Women in Banking and Finance which provides support and networking opportunities for individuals in the Bank.

An ESG Working Group is in place to monitor and report specific targets and benchmarks that have been agreed by the Board for the Environment, Social and Governance aspects of the business.

The Bank continues to follow a hybrid working model and promotes a healthy work-life balance.

Strategic report / Section 172 statement/ continued

Environment

The Bank recognises climate change as a serious global issue with potentially significant implications for customers, employees, suppliers and partners of the Bank.

The Bank has an Environment and Sustainability Policy that it applies to its business. The Bank works with Greenly, a leading carbon accounting platform, which is enabling the Bank to estimate and monitor its Scope 1 -3 emissions (aligned to the PCAF and GHG protocol). The results of this work will inform the development of the Bank's strategy in the medium term.

The Bank continues to consider how it may promote positive environmental and sustainability activity.

Preparation of Strategic report

This Strategic report has been prepared to allow the shareholders to assess the Bank's strategy and the potential for that strategy to succeed. The Strategic report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties underlying such forward-looking statements.

Signed on behalf of the Board

Simon Bateman
Chief Executive Officer

16 July 2025

Board of Directors

Steve Pateman, Non-Independent Non-executive Director (Chair since 1 November 2024) – Appointment 19 January 2024

Steve has had an extensive executive career in banking, leading corporate and commercial banking businesses at RBS/NatWest, managing Santander's UK banking businesses and as CEO of Shawbrook Bank, Hodge Banking Group and most recently successfully leading the banking licence application for StreamBank.

He is a Non-executive Director at Bank of Ireland both in the UK and Dublin and Thin Cats, a specialist SME lending business. He was previously President of the Chartered Banker Institute. Steve became the Non-Independent, Non-executive Chair on 1 November 2024.

Steve took up the role of Chair at Recognise Bank in November 2024, having served as an Investor Non-executive Director since January 2024.

Simon Bateman, Executive Director – Appointment 27 November 2024

Simon has over 30 years of experience in driving transformational change and scaling high-growth businesses in financial services. With a strong technical background and a passion for building exceptional teams, Simon has held leadership roles at several prominent financial institutions.

Before joining Recognise as CEO, Simon was CEO of Nomo Fintech, where he led the technology company that develops and supports Nomo Bank, the fully digital international sharia-compliant brand of Bank of London & The Middle East.

Previously, Simon was CIO and part of the founding team at Allica Bank, CIO at Harrods Bank and held senior technology roles at Aldermore, Lloyds Banking Group and the Santander Group.

Simon is also a Non-executive Director at Health Shield Friendly Society Ltd.

Simon Wainwright, Senior Independent Non-executive Director ("SID") – Appointment 1 February 2019

Simon Wainwright holds the position of MD for the UK and Ireland, as well as COO for Europe, Middle East, and Africa at global reinsurer Reinsurance Group of America (RGA). Prior to this role, he occupied senior positions at HSBC, including CEO of HSBC Ireland, Head of Business Banking for the UK, and COO of Corporate and Structured Finance.

Additionally, Simon serves as a Non-executive Director (NED) and Chair of National Counties Building Society.

Within Recognise Bank Limited, he chairs the Nominations & Independent Oversight Committee.

Board of Directors / continued

Richard Gabbertas, Independent Non-executive Director - Appointment 1 February 2019

Richard Gabbertas, who joined KPMG in 1980 and later became a partner in 1995, brings extensive expertise in financial services to Recognise Bank. Throughout his career, he led KPMG's Regional Financial Services Practice, offering audit and advisory services to a wide spectrum of institutions within the sector. Richard's deep understanding of banking regulation has contributed to his significant role.

Richard also chairs the Risk Committee at Arbuthnot Banking Group.

Currently, Richard chairs the Audit Committee at Recognise Bank and is also a member of the Remuneration Committee. Richard is due to retire from the Board at the end of July 2025 following 6 years of service.

Suzanne Clark, Independent Non-executive Director - Appointment 25 November 2024

Suzanne has enjoyed a long executive career in internal audit and risk management in financial services. She is a Chartered Accountant and has held a senior role at the Bank of England along with Chief Internal Auditor roles at Yorkshire Building Society and the investment bank, Peel Hunt.

She is also a Non-executive Director at HBL Bank UK, a specialist bank serving the South Asian diaspora and The Exeter, a mutual life and general insurer. She was previously a Non-executive Director at Leeds Teaching Hospitals NHS Trust.

Suzanne will become Chair of the Board Audit Committee (subject to regulatory approval) following the retirement of Richard Gabbertas from the Board. Currently, in addition to being a member of the Board Audit Committee, she is also a member of the Board Risk Committee, the Remuneration Committee and the Nominations & Independent Oversight Committee.

Greg Jones, Independent Non-executive Director - Appointment 25 November 2024

Greg has gained extensive experience in corporate, commercial, business, credit and risk across both NatWest and RBS over a 30-year career. He led the RBS Corporate and Commercial Business across the UK, before moving to Cynergy Bank, where he led Property Finance, Commercial and Bridging teams, before being appointed Chief Operating Officer. Greg has significant experience in the 'challenger' market through leadership, committee, advisory and Board roles. Greg is passionate about the environment – leading delivery of ISO140001 for Cynergy Bank and is a champion for change.

Greg is also Non-executive Chair of Deploy Capital and a Trustee of the Chartered Banker Institute.

Greg is Chair of the Board Risk Committee and is also a member of the Board Audit Committee and the Remuneration Committee.

Board of Directors / continued

Alison Tattersall, Independent Non-executive Director - Appointment 25 November 2024

Alison is a customer focused leader, with a breadth of financial services experience, having headed up commercial marketing teams across the Barclays Group. This includes leading both business and corporate marketing, together with the b2b Barclaycard payments business.

Alison is a Non-executive Director, Consumer Duty Board Champion and RemCo Chair at the Stafford Building Society, a mutual providing a range of mortgage and savings solutions.

In addition to her financial services experience, Alison is a Non-executive Director at University Hospital Southampton, a large NHS teaching hospital, and a Trustee of The People's Dispensary for Sick Animals (PDSA), a charity with veterinary hospitals across the UK providing care for sick and injured pets.

Alison is Chair of the Remuneration Committee and is also a member of the Board Risk Committee and the Nominations & Independent Oversight Committee. She is also Recognise Bank's Consumer Duty Champion.

Dan Erel, Shareholder Non-executive Director – Appointed 7 April 2025

Dan is a fintech and product leader with a track record of building high-growth lending platforms and digital infrastructure. At Amazon, he ran the B2B Lending business across the UK and EU, scaling operations, launching new markets, and leading teams across product, tech, credit, and go-to-market.

Earlier in his career, Dan worked on billing and payment system solutions for global telecom clients at Amdocs, contributed to early-stage investment activity with a US-based venture firm and led technology teams in a government intelligence setting.

He holds an MBA from NYU Stern and a BA in Economics & Psychology from Tel Aviv University. Dan joined the Board of Recognise Bank in April 2025.

Christopher Kraft, Alternate Shareholder Non-executive Director – Appointed 1 November 2024, resigned 29 May 2025

Christopher is Chief Commercial Officer at atomos (formerly Sanlam Wealth), a position he has held since March 2022. Previously, he was Chief Operating Officer of True Potential LLP, a financial service and technology firm servicing the IFA market in the UK. Prior to joining True Potential LLP in 2019, Christopher spent 10 years at Perella Weinberg Partners, a leading global independent investment banking firm, covering the wealth and asset management market in the UK and Europe. Christopher started his career at Lehman Brothers in London.

Christopher holds a Master's Degree from École Supérieure de Commerce de Paris (ESCP Business School).

Christopher joined Recognise as a Shareholder Non-executive Director on 1 November 2024 and resigned on 29 May 2025. He became the alternate to Dan Erel on 15 May 2025.

Governance statement

While the Bank is not required to comply with the FRC's Code of Corporate Governance ('the Code'), it has had regard to its provisions when developing its corporate governance arrangements, as set out below. A copy of the Code, which is issued by the Financial Reporting Council, is available from the Financial Reporting Council's website https://www.frc.org.uk/

Role of the Board

The Board's role is to ensure the long-term success of the business by implementing the Bank's strategy and financial plan, overseeing its affairs and providing constructive challenge to management as it does this. In addition, the Board oversees governance, internal controls and risk management. The Board has clearly defined responsibilities set out in a formal schedule of reserved matters which includes:

- setting the Bank's strategy;
- approving any major changes to the Bank's structure or share capital;
- approving the annual report and accounts and shareholder communications;
- ensuring a sound system of internal controls and risk management;
- approving major contracts;
- determining the remuneration policy (on the recommendation of the Remuneration Committee); and
- making appointments to the Board and other offices.

To assist the Board in carrying out its functions, the Board has delegated certain responsibilities to its Audit, Risk, Remuneration and Nominations & Independent Oversight committees, all of which operate within a scope and remit defined by specific terms of reference determined by the Board and reviewed regularly. Further details including the composition and role of each of these committees are provided on pages 10, 29, 30 and 31.

The Strategic Report contains a Section 172 statement which summarises the Board's engagement with the Bank's stakeholders and the ways in which these have been taken into account in the Board's decision making.

Role of the Chair

The Chair is responsible for setting the Board's agenda and ensuring that adequate time is available for discussion of all agenda items. The Chair promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between non-executive directors and Bank executives.

Simon Bateman, Chief Executive Officer of Recognise Bank supports the Chair and is responsible for managing day-to-day operations and implementing the Bank's strategy.

The Board

The Board currently comprises eight directors of whom five are independent. Biographical details of directors together with details of their significant commitments are set out on pages 24 to 26 of this report. The Board therefore has a majority of independent non-executive directors.

The Directors

The directors possess a wide range of skills, knowledge and experience relevant to the leadership of the Bank, including banking, financial, regulatory, technology and industry experience as well as the ability to provide constructive challenge to the views and actions of executive management in meeting agreed goals and objectives.

Governance statement / continued

Board Procedures

Board meetings are an important way in which the directors discharge their duties, particularly under section 172 of the Companies Act 2006. The Board meets at least eight times each year with additional meetings scheduled when required.

At each meeting, the Board receives regular business updates as well as financial, strategic, performance and governance updates.

Following each sub-committee meeting, the Chairs of the Audit, Risk, Remuneration and Nominations & Independent Oversight committees provide updates to the Board on the key issues and topics discussed, as well as any matters for escalation or the Board's approval.

Ahead of each board and sub-committee meeting, agendas are agreed in advance by the relevant Chair, and papers are circulated to provide Board and sub-committee members with sufficient time to consider the matters to be discussed.

There is an agreed procedure for directors to take independent professional advice, if necessary, at the Bank's expense. This is in addition to them having access to advice from the company secretary.

Conflict of Interest

Directors' declarations of interest is a regular Board agenda item. A register of directors' interests (including any actual or potential conflicts of interest) is maintained and reviewed regularly to ensure all details are kept up to date. Authorisation from the company secretary is sought prior to a director taking on a new appointment or if any new conflicts or potential conflicts arise.

Board Evaluation

An evaluation including an independent governance review will be undertaken in the last quarter of 2025 to assist Recognise Bank in its next phase of growth and development.

Appointment, Tenure and Re-election

The Board may appoint a director as it thinks fit. The appointment of any new director is made on the basis of assessing the candidate's merits and measuring his or her skills and experience against the criteria for the role.

The Bank will follow its Diversity, Equality and Inclusion Policy when any future appointments to the Board are made. The Bank is committed to ensuring that the Bank's directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. The Board will always look to appoint the best candidate for the role advertised and will not discriminate on any grounds including gender, race, ethnicity, religion, sexual orientation, age or physical ability.

All non-executive directors continue to dedicate sufficient time to meet their Board responsibilities.

It is the intention of the Board that the Chair should not remain in post beyond nine years from the date of first appointment to the Board.

The Board has considered and reviewed the effectiveness of each non-executive director, taking into account the results of previous Board evaluations and any factors that may affect, or could appear to affect, a director's judgement and, where relevant, independence. The Board confirms that each non-executive director continues to demonstrate the necessary commitment and to be a fully effective member of the Board.

The Bank considers the annual re-election of directors to be good corporate governance and has therefore chosen to follow this practice. On the basis of an evaluation of the Board and individual directors, noted above, the Board will endorse the re-election of relevant directors at the annual general meeting.

Governance statement / continued

Audit Committee Report

The current members of the Audit Committee are Richard Gabbertas (Chair), Suzanne Clark and Greg Jones. Richard Gabbertas has relevant experience as a chartered accountant and as a senior auditor at a top four Audit firm. Suzanne Clark, who is a chartered accountant, will, subject to regulatory approval, become Chair of the Audit Committee after Richard retires from the Board.

Other individuals, including the other directors and representatives from the finance function, are invited by the Audit Committee to attend meetings from time to time.

Financial Results

The Audit Committee reviewed the full year financial results before they were considered by the Board, including the going concern statement, and the information to support it. The Audit Committee is responsible for considering and reporting on any significant issues that arise in relation to the audit of the financial statements and considered the following significant issues that had been identified:

- Going concern, having regard to the assumptions made by the Bank in preparing detailed forecasts on both 'most likely' and 'reasonable worst case' scenarios for the period of at least 15 months from 1 July 2025 and the main risk factors that apply.
- Provision for impairment on loans in accordance with IFRS 9, which requires the impact of future events on expected credit losses to be assessed in determining the provision for impairment. Other relevant factors are criteria used to assess the staging of individual exposures and the risk profile of individual loan categories. These all increase both the level of judgement required and the inherent subjectivities.
- Recognition of revenue (interest income) where there is a risk that revenue may be overstated.

The above risks were discussed with the auditors at the Audit Committee.

External Auditors

The Audit Committee considered the scope and findings of the external audit as well as the independence and objectivity of the external auditors. Recognise Bank Limited has been a public interest entity ('PIE') since 10 November 2020 and the external auditors do not provide non-audit services to the Bank that are impermissible under the relevant FRC guidance. The audit fees for the year under review appear in note 9 on page 63.

The Audit Committee normally meets with the external auditors without management being present at least once a year at the time of the approval of the full year results.

PricewaterhouseCoopers LLP has been the external auditor of the Bank for three years, carrying out its first audit in respect of the year ended 31 March 2023. The appointment of PricewaterhouseCoopers LLP is reviewed by the Committee each year, taking into account relevant legislation, guidance and best practice. As part of its deliberations, the Committee considered the effectiveness of the audit process for the current year by discussing the results of the external audit, including PricewaterhouseCoopers LLP's views on material accounting issues and key judgements and estimates, considering the robustness of the audit process, reviewing the quality of the people and service provided by PricewaterhouseCoopers LLP and assessing its independence and objectivity. The Committee was satisfied with the effectiveness of the external audit process.

Internal Audit

Recognise Bank has appointed Deloitte to provide its fully outsourced Internal Audit function.

In addition to providing quarterly updates on the status of the lnternal Audit Plan, Deloitte prepares an annual report summarising Internal Audit findings and identifying themes and areas for future focus in respect of governance, risk management and culture. In the Audit Committee's opinion there were no material adverse findings that arose from Internal Audit's work. The Audit Committee has reviewed the Internal Auditor's performance and believes it to be effective.

Governance statement / continued

Board review of internal controls and risk management

There is an ongoing process, which is kept under regular review by the Board, for identifying, evaluating and managing, rather than eliminating, significant risks faced by the Bank. The Board believes that the Bank's system of internal controls outlined below continues to be appropriate for the business.

The directors acknowledge their responsibility for the Bank's system of internal and financial controls, including suitable monitoring procedures, to provide reasonable, but not absolute, assurance on the maintenance of proper accounting records and the reliability of the financial information used in the business. The Board has reviewed the effectiveness of the system of internal controls which operated during the period covered by this directors' report and accounts.

The key controls are:

- clearly defined organisational responsibilities and limits of authority;
- established procedures for authorisation of capital expenditure and investment of cash resources;
- production of monthly management accounts which are compared with budget together with a review of detailed KPIs and explanation of key variances;
- monthly bank and key control account reconciliations;
- payment authorisation controls;
- the maintenance of detailed risk registers which include analysis of all the key risks facing the Bank, including emerging risks. These are reviewed and assessed by the Board Risk Committee and the full Board; and
- the monitoring and control of credit risks by the Credit Committee that sets loan sanctioning limits for the Bank's lending businesses.

The respective responsibilities of the directors and the auditors in connection with the financial statements are explained on pages 34 and 39. The directors' statement on going concern is on page 20.

The Section 172 statement is on pages 21 to 23.

The directors confirm that they consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

Remuneration Committee

The Remuneration Committee comprises Alison Tattersall (Chair), Richard Gabbertas, Greg Jones, Suzanne Clark, and a nominated representative of the majority shareholder. Other non-executive directors are invited to attend meetings of the committee.

The role of the Remuneration Committee is to:

- develop the policy on remuneration for executive directors and senior management and determine specific remuneration packages for executive directors. No director is involved in discussions or decisions on their own remuneration. The remuneration of the non-executive directors is determined by the Board.

Governance statement / continued

Nominations & Independent Oversight Committee

The Nominations & Independent Oversight Committee comprises Simon Wainwright (Chair and Senior INED), Suzanne Clark, Alison Tattersall and a nominated representative of the majority shareholder. Other non-executive directors are invited to attend meetings of the committee.

The role of the Nominations & Independent Oversight Committee is to:

- review the structure, size and composition of the Board and its sub-committees, ensuring there is a balance of skills, experience and knowledge;
- conduct the evaluation of the performance of the Board and sub-committees as well as that of individual directors;
- manage the process for the appointment of new directors to the Board;
- monitor succession planning for both the Board and management, taking into account the challenges and opportunities facing the Bank and the skill and expertise likely to be needed in future; and
- oversee any actual or perceived conflict of interest relevant to the Bank.

By order of the Board

G M Kingsbury
Company Secretary

16 July 2025

Directors' report

This is the Directors' report for the year to 31 March 2025.

Results and Dividends
The results for the Bank are set out on page 42.
No dividends were declared during the year (2024: nil).

Events since the year end
There are no reportable post balance sheet events to be disclosed.

Future developments in the business
Information on future developments is included in the Strategic report.

Financial Risk
Risk management, including financial risk management, is reported on in pages 10 to 17 of this annual report.

Principal activities
Recognise Bank focuses on providing banking and associated financial services to the UK SME market. The Bank has no branches.

Directors
Details of directors who served during the year are as follows:

- Simon Bateman – appointed 27 November 2024
- Moorad Choudhry – resigned 26 November 2024
- Suzanne Clark – appointed 25 November 2024
- Richard Gabbertas
- Philip Jenks – resigned 26 November 2024
- Greg Jones – appointed 25 November 2024
- Christopher Kraft – appointed 1 November 2024, resigned 29 May 2025 (a)
- Jean Murphy – resigned 27 November 2024
- Ruth Parasol – resigned 3 June 2025 (b)
- Steven Pateman
- Garry Stran – appointed 25 November 2024, resigned 1 April 2025
- Alison Tattersall – appointed 25 November 2024
- Simon Wainwright

(a) Christopher Kraft was appointed as a Shareholder Non-executive Director on 1 November 2024 in place of Ruth Parasol and resigned as a director on 29 May 2025. Christopher has been an alternate to Dan Erel since 15 May 2025.

(b) Ruth Parasol became an alternate shareholder director to Christophen Kraft following his appointment on 1 November 2024 and resigned as an alternate on 3 June 2025.

Dan Erel was appointed as a Shareholder Non-executive director on 7 April 2025.

In addition to the above, Nyreen Bossano-Llamas was an alternate director to Ruth Parasol until 1 November 2024 when she resigned.

Except as shown above, there have been no changes in directors up to the date of signing the accounts.

Biographical details of the current directors are given on pages 24 to 26.

Directors' report / continued

Share capital
Details of the share capital of the Bank in issue during the financial year and changes to it can be found in note 27.

Directors' indemnities and insurance
The Company's Articles provide that, subject to the provisions of the Companies Act 2006, the Company may indemnify any director or former director in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as a director of the Company or any subsidiary and may purchase and maintain insurance against any such liability. The Company maintained directors' and officers' liability insurance throughout the year.

Political donations
No political donations were made in the year (2024: nil).

Statement of directors' responsibilities
The statement of directors' responsibilities is set out on page 34 of this annual report.

Section 172 statement
The Section 172 statement is set out on pages 21 to 23 of this annual report.

Financial instruments
Details of the financial instruments to which the Bank is a party are included in note 4 to the financial statements.

Audit information
In accordance with section 418 Companies Act 2006, each of the directors confirms that:

i. so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
ii. they have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

Independent auditors
PricewaterhouseCoopers LLP has expressed their willingness to continue in office and a resolution proposing their reappointment as auditor will be put to members at the annual general meeting.

By order of the Board

G M Kingsbury
Company Secretary

16 July 2025

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 Company financial statements in accordance with UK adopted international accounting standards.

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

In preparing these financial statements, 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 they have been prepared in accordance with UK adopted international accounting standards, 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.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained on the website.

By order of the Board

Steve Pateman
Chair

16 July 2025

Independent auditors' report to the members of Recognise Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, Recognise Bank Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2025 ("the Annual Report"), which comprise: the balance sheet as at 31 March 2025; the statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company in the period under audit.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement to the financial statements of the company. Audit procedures have been performed over all material account balances.

Key audit matters

- Expected Credit Losses

Materiality

- Overall materiality: £1,393,000 (FY24: £1,346,000) based on 0.25% of total assets.

- Performance materiality: £835,000 (FY24: £807,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

Expected Credit Losses is a new key audit matter this year. Loans and advances, which was a key audit matter last year, is no longer a key audit matter as the total loan balances has not moved significantly from the prior year and no heightened inherent risk factors have been noted.

Key audit matter	How our audit addressed the key audit matter
Expected Credit Losses As at 31 March 2025 loans and advances to customers amounted to: £305.6m net of expected credit losses ('ECL') of £5.8m. The provision is split between a modelled provision of £0.8m to account for losses that have not yet been individually identified (referred to as 'Stage 1' and 'Stage 2' loans), and an individual impairment provision of £5.0m. to cover losses on individually impaired loans (referred to as 'Stage 3'). We focus on the ECL on Stage 3 loans given the judgements and degree of estimation uncertainty involved in the impairment assessment of these positions. These loans are considered by management on a case-by-case basis using discounted cash flow models that require subjective assumptions such as property sale values. We consider the estimates that underpin the ECL estimates to be a significant audit risk given the size and nature of the Stage 3 positions. Relevant disclosures are included within: Note 2.8.4 (a) Impairment of loans and advances to customers; Note 3 a) Provisions for impairment of financial assets - Estimate; Note 4.2 Financial risk management; and Note 18 Loans and advances to customers.	We obtained an understanding of the expected credit losses business process and assessed the design and implementation of relevant controls. The audit was substantive in nature and included the following procedures in relation to sampled Stage 3 positions where relevant: • Obtained evidence of the original contractual terms and of the Stage 3 exposures. • Understood developments since origination including the fact patterns that existed at the balance sheet date. • Obtained evidence to support the assumptions that underpin the Stage 3 ECL provisions (for example evidence to support collateral valuation or the existence of personal guarantees) and assessed the reasonableness of the assumptions with greater subjectivity. • Considered alternative scenarios and performed sensitivity analysis on the use of these. • Updated our assessment for developments subsequent to the balance sheet date, and considered if these provided further information about the reasonableness of the provisioning assessment performed.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

All of the company's activities are carried out within the United Kingdom. The principal activities of the company are the provision of loans to the small to medium enterprise customer segment and the issuance of customer deposits. Our risk assessment performed as part of our planning of the audit gave consideration to relevant internal and external factors, including economic risk, climate change and the company's growth strategy. Based on the materiality, we performed audit procedures over all material account balances and financial information of the company. Our audit procedures on the company provided us with sufficient audit evidence as a basis for our audit opinion on the financial statements as a whole.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

Overall company materiality	£1,393,000 (FY24: £1,346,000).
How we determined it	0.25% of total assets
Rationale for benchmark applied	We do not consider a profit or revenue-based benchmark appropriate given the bank is still in an initial growth stage. A balance sheet benchmark is commonly used for banks and organisations in a start-up phase where financial stability and capital adequacy is a primary focus of stakeholders. Total assets is also a typical benchmark for a public interest entity.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 60% (FY24: 60%) of overall materiality, amounting to £835,000 (FY24: £807,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the lower end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £69,000 (FY24: £67,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtained management's assessment supporting the going concern assumption and performed a risk assessment to identify critical factors that could impact the going concern basis of preparation, taking account of the current and forecast financial performance, regulatory metrics and the sector in which the company operates. As part of our risk assessment, we reviewed and considered the company's strategic plan, ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forums;
- Confirmed the receipt of additional capital in November 2024, and considered the impact of this, and the related changes to the company's strategy, on the going concern assessment. Evaluated the reasonableness of the company's forecasts under a base and stress scenario, including testing key assumptions and performing sensitivity analysis using our understanding of the company and its financial and operating performance obtained during the course of our audit. We focussed on the regulatory capital position, considering the impact of reasonable changes in key assumptions and the ability of management to take actions to mitigate the stresses applied;
- We considered management's ability to accurately forecast financial performance by comparing past business plans to actual results;
- Tested the Bank's current ECL process (including loan collateral) that indirectly supports the projected variability of capital ratios under a stress scenario;

- Met with the Bank's lead regulator, the Prudential Regulation Authority to obtain their view of the Company including in respect of their capital and liquidity positions; and
- Assessed the appropriateness of the going concern disclosures made in the Annual Report.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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 Directors' Report for the year ended 31 March 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate reported financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Performing enquiries of the Audit Committee, senior management (including risk and compliance), and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Review of key correspondence with regulatory authorities in relation to compliance and regulatory matters.
- Incorporating unpredictability into the nature, timing and extent of our testing.
- Identifying and testing selected journal entries including those posted by unexpected users, those posted to unusual account combinations and those that include certain keywords.
- Assessing the reasonableness and appropriateness of key judgements and assumptions used in accounting estimates, including an assessment for the presence of management bias.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 6 October 2022 to audit the financial statements for the year ended 31 March 2023 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 March 2023 to 31 March 2025.

Other Matter

The Statement of Comprehensive Income for the year ended 31 March 2024, forming the corresponding figures of the Statement of Comprehensive Income for the year ended 31 March 2025, is unaudited.

Luke Hanson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 July 2025

FINANCIAL STATEMENTS

Statement of comprehensive income

for the year ended 31 March 2025

	Notes	2025 £'000	2024 (unaudited) £'000
Interest income		36,294	25,486
Interest expense		(20,832)	(13,153)
Net interest income	6	**15,462**	**12,333**
Fee and commission income	7	412	401
Fee and commission expense	7	(61)	(100)
Net operating income		**15,813**	**12,634**
Other income			
Other income	13	1,420	760
Operating expenses			
Staff costs	8	(10,346)	(10,441)
Other operating expenses	9	(6,884)	(8,238)
Restructuring costs	10	(2,325)	-
Depreciation and amortisation	11	(699)	(635)
Net impairment loss on financial assets	12	(2,311)	(3,339)
Loss before tax		**(5,332)**	**(9,259)**
Tax expense for the year	14	-	-
Loss after tax and total comprehensive loss for the financial year, attributable to equity shareholders		**(5,332)**	**(9,259)**

The notes on pages 46 to 72 are an integral part of these financial statements.

Balance sheet
as at 31 March 2025

	Notes	2025 £'000	2024 £'000
ASSETS			
Cash and cash equivalents	16	238,732	164,292
Debt securities	17	9,932	-
Loans and advances to customers	18	305,596	302,710
Investment in subsidiaries	19	-	349
Property, plant and equipment	20	62	165
Intangible assets	21	1,813	1,832
Right-of-use assets	22	3	171
Other assets	23	1,418	970
Total assets		**557,556**	**470,489**
LIABILITIES			
Deposits from customers	24	484,311	411,667
Borrowings	25	503	517
Lease liabilities	22	-	188
Other liabilities	26	3,941	3,985
Total liabilities		**488,755**	**416,357**
EQUITY			
Share capital	27	82,531	62,530
Share premium	27	38,722	38,722
Other reserves	28	90	90
Accumulated losses		(52,542)	(47,210)
Total equity		**68,801**	**54,132**
Total equity and liabilities		**557,556**	**470,489**

The notes on pages 46 to 72 are an integral part of these financial statements.

The financial statements on pages 42 to 72 were approved and authorised for issue by the Board of Directors on 16 July 2025 and signed on its behalf by

Steve Pateman
Chair

Statement of changes in equity

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Other reserves £'000	Total equity £'000
Balance at 1 April 2023	**57,530**	**38,722**	**(37,951)**	**-**	**58,301**
Loss for the year	-	-	(9,259)	-	(9,259)
Total comprehensive loss	-	-	(9,259)	-	(9,259)
Contributions by owners:					
Share-based payments (Note 28)	-	-	-	90	90
Issue of ordinary shares (Note 27)	5,000	-	-	-	5,000
Total contributions by owners	5,000	-	-	90	5,090
Balance at 31 March 2024/1 April 2024	**62,530**	**38,722**	**(47,210)**	**90**	**54,132**
Loss for the year	-	-	(5,332)	-	(5,332)
Total comprehensive loss	-	-	(5,332)	-	(5,332)
Contributions by owners:					
Issue of ordinary shares (Note 27)	20,001	-	-	-	20,001
Total contributions by owners	20,001	-	-	-	20,001
Balance at 31 March 2025	**82,531**	**38,722**	**(52,542)**	**90**	**68,801**

Statement of cash flows

for the year ended 31 March 2025

	Notes	2025 £'000	2024 £'000
Cash flow from operating activities			
Loss for the year before tax		(5,332)	(9,259)
Adjustments for non-cash items:			
Depreciation and amortisation	11	699	635
Interest earned during the year		(36,294)	(25,487)
Interest expense during the year		20,832	13,153
Interest expense on leases	22	10	22
Impairment allowance		2,311	3,339
Dividend income from subsidiary		(400)	-
Changes in operating activities:			
Interest received		36,170	24,429
Interest paid		(11,997)	(4,824)
Increase in debt securities		(9,656)	-
Increase in loans and advances		(5,307)	(183,505)
Increase in deposits from customers		63,808	203,087
Increase in other assets		(78)	(77)
Decrease in other liabilities		(60)	(22)
Net cash generated from operating activities		54,706	21,491
Cash flow from investing activities			
Purchase of property, plant and equipment	20	(7)	(52)
Dividend received from subsidiary	31	60	-
Surplus funds sent from subsidiary	31	280	800
Purchase of intangible assets	21	(402)	(1,054)
Net cash used in investing activities		(69)	(306)
Cash flow from financing activities			
Finance lease related payments	22	(198)	(247)
Gross proceeds from the issue of ordinary shares	27	20,001	5,000
Net cash generated from financing activities		19,803	4,753
Net increase in cash and cash equivalents		74,440	25,938
Cash and cash equivalents brought forward	16	164,292	138,354
Net cash and cash equivalents	16	238,732	164,292
Composition of cash and cash equivalents			
Cash at bank	16	238,732	164,292

The Company's non cash transactions are disclosed in Note 31 to these financial statements.

Notes to the financial statements

1 General information

Recognise Bank Limited is a private company limited by shares that is incorporated in the United Kingdom under the Companies Act 2006. The address of its registered office is 4th Floor, Henry Thomas House, 5 – 11 Worship Street, London, England, EC2A 2BH.

Recognise Bank Limited ("Recognise Bank" or "the Company" or "the Bank") has operated as a fully authorised bank since September 2021 when restrictions set by the PRA were lifted after all mobilisation conditions were met, allowing the Bank to accept savings deposits.

These financial statements have been approved for issue by the Board of Directors on 16 July 2025.

2 Summary of material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements for the year ended 31 March 2025 have been prepared for the Company as an individual entity, with comparative figures for the prior year stated on the same basis. The Company's sole remaining subsidiary, Credit Asset Management Limited, went into members' voluntary liquidation on 24 March 2025 when control passed to joint liquidators and, accordingly, it was not appropriate to prepare consolidated accounts for the year to 31 March 2025.

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

Functional and presentational currency

The financial statements are presented in sterling, which is also the Bank's functional currency, with amounts rounded to the nearest thousand (£'000), unless otherwise stated. Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in the statement of comprehensive income.

Going concern

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

The directors consider the going concern basis to be appropriate following their assessment of the Bank's financial position and its ability to meet its obligations as and when they fall due. The directors' assessment of going concern has included a detailed review of the base case and stressed cash flow forecasts for the period of 15 months from the date of signing these financial statements.

In making their going concern assessment the directors have considered the following:

- the capital structure and liquidity of the Bank over the period;
- the principal and emerging risks facing the Bank and its systems of risk management and internal control;
- uncertainties in the UK economic outlook and actions the Bank could take to mitigate the impact on the Bank;
- the raising of capital by the Bank to support the growth of the Bank in serving the SME market; and
- the capital and liquidity forecasts of the Bank, undertaking stress scenarios which include the effects of incurring greater losses from loan defaults and wider stress in the financial markets and economy impacting cash inflows and outflows.

The Board assesses its future capital and liquidity requirements regularly. The Bank prepares annual budgets that include budgeted cash forecasts and funding requirements which have been reviewed by the Board and form part of the submission made by Recognise Bank to the PRA.

2.2 Adoption of new standards and interpretations

The following new standards and interpretations were adopted for the first time in these financial statements:

- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

There was no impact on the Bank financial statements following the adoption of the above standards and interpretations.

2.3 Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards which have not been applied in these financial statements were in issue but not yet effective. These standards are effective for annual periods beginning on or after 1 January 2025 unless otherwise stated. There is no material impact anticipated from the implementation of the below mentioned amendments/standards.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28);
- Lack of Exchangeability (Amendments to IAS 21);
- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures;
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

2.4 Intangible assets

Software licence and development costs include third party and internal costs incurred in relation to the core banking platform developed by Recognise Bank. Core banking platform costs include the development of software, application development and implementation costs.

Research costs and costs to maintain existing performance are expensed in the statement of comprehensive income as incurred.

Costs, including internal costs, that are directly attributable to the design, development and testing of identifiable and unique software products controlled by the Bank are capitalised as an intangible asset and amortised from the point at which the asset is ready for use.

Software licence and development costs are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is provided to write off the cost by equal annual instalments over their estimated useful economic lives as follows:

- Core banking platform 5 years straight-line
- Software licences 5 years or the period of the software licence if less, straight-line

The Bank reviews these assets for impairment at least annually or more frequently when events or changes in economic circumstances indicate that impairment may have taken place.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal annual instalments over their estimated useful economic lives as follows:

Office furniture & equipment 3 years straight-line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2.6 Impairment of non-financial assets

The carrying value of non-financial assets is reviewed on an on-going basis to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of property, plant and equipment is the greater of its fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.7 Investments in subsidiaries

Prior to the liquidation of CAML, investments in subsidiaries were accounted for at cost less impairment. Impairment testing was performed when there was an indication of impairment, by comparing the recoverable amount of the relevant investment with its carrying amount.

2.8 Financial assets and liabilities

2.8.1 Initial recognition and measurement

The Bank recognises financial assets and liabilities when it becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue with the exception of financial assets at fair value through profit or loss ("FVPL"), where these costs are charged to the income statement.

2.8.2 Classification and business model assessment

IFRS 9 requires financial assets and liabilities to be measured at amortised cost, fair value through other comprehensive income ("FVOCI") or FVPL.

The Bank classifies financial assets in the following categories: financial assets at FVPL and financial assets at amortised cost. Management determines the classification of its financial instruments at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cashflows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are classified as sole payments of principal and interest ("SPPI") on the principal amount outstanding.

Financial assets are classified as FVPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where financial assets are designated as FVPL.

Financial liabilities are measured at amortised cost or FVPL.

(a) Cash and balances at central bank

Cash and cash equivalents comprise cash in hand and call deposits with maturity of three months or less from the date of inception, which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(b) Debt securities at amortised cost

Debt securities are UK government Treasury Bills held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the instruments are solely payments of principal and interest on the principal amount outstanding.

(c) Loans, trade and other receivables

Loans, trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment under IFRS 9.

(d) Finance leases receivable

Where the Bank leases out equipment under a lease or hire purchase agreement and there is a transfer of substantially all the risks and rewards of ownership to the lessee, the lease is accounted for as a finance lease and recorded as loans and advances to customers.

Finance leases are recognised at an amount equal to the gross investment in the lease, which comprises the lease payments receivable and any unguaranteed residual value, discounted at its implicit interest rate.

The Bank accounts for impairment of finance leases and hire purchase agreements under IFRS 9.

(e) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

(f) Deposits from customers

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments. These liabilities are recognised when cash is received from the depositors and carried at amortised cost using the effective interest rate method. The fair value of these liabilities repayable on demand is assumed to be the amount payable on demand at the balance sheet date.

(g) Other liabilities

Other liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

(h) Loan commitments

A loan commitment is a commitment to make a loan in the future at a specified rate. These commitments represent agreements to lend in the future subject to the terms and conditions of the agreements, so that the amount and timing of future cashflows are uncertain.

The Bank accounts for impairment on firm loan commitments under IFRS 9.

2.8.3 Derecognition - Financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Bank has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the balance sheet.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have been only partially derecognised.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled, expire, are modified or exchanged.

2.8.4 Identification and measurement of the impairment of financial assets

Under IFRS 9, entities are required to account for expected credit losses ('ECL') at the time of initial recognition of the financial asset and to account for changes in ECL at each reporting date to reflect changes in credit risk since initial recognition. The provisions for impairment under IFRS 9 are disclosed in Note 12.

(a) Impairment of loans and advances to customers

The general approach in IFRS 9 has been used with the Bank using the IFRS 9 three-stage expected credit loss ('ECL') approach for measuring impairment – Stage 1, Stage 2 and Stage 3.

The Bank recognises ECLs from default events expected within 12 months of the reporting date if there has not been a significant increase in credit risk ('SICR') since the initial recognition of the financial instrument (Stage 1) and lifetime ECLs for financial instruments where there has been a SICR since initial recognition (Stage 2) or which are credit impaired (Stage 3). Where financial instruments are credit impaired, as determined from the quantitative and qualitative criteria set out below, specific provisions are made on an individual basis in accordance with laid-down policies.

Specific provisions on individual financial instruments are assessed by reference to information available on the recoverability of amounts owed. This may include a deterioration in the credit rating of the debtor and an assessment of expected likely cash flows as well as consideration of the strength of personal guarantees or other security held.

When assessing ECL, entities are required to consider both information about current conditions and reasonable forecasts about future expectations.

This process includes, inter alia, the estimation of the probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') and the assessment of increases in credit risks, in the context of the future economic scenarios that may apply to the financial assets.

Relevant factors include:
- whether there has been a SICR since initial recognition;
- definition of default and credit-impaired assets; and
- forward looking information to be used in calculating ECLs.

The Bank considers both quantitative and qualitative information when considering if there has been a SICR. The receipt of information on existing or future adverse changes affecting a customer, in conjunction with an expert credit risk assessment, would result in such an assessment, which is made at individual agreement level.

A financial instrument is defined to be in default when it meets one or more of the following criteria:

- Quantitative criteria: an agreement is in default when contractual payments are more than 90 days past due.
- Qualitative criteria: contractual payments are less than 90 days past due but, having regard to known circumstances such as an insolvency arrangement, it is judged unlikely that future payments will be made in full.

The definition of default is applied consistently to model the items used in the calculation of ECLs – the probability of default, exposure at default and loss given default.

Under IFRS 9, the Bank is required to consider other forward-looking scenarios in addition to the base economic scenario. The final ECL is calculated by applying a weighted probability to the result of each scenario.

The Bank currently uses a model for assessing the IFRS 9 provision, which has been developed with a third party managed service provider for the credit portfolio held by Recognise Bank.

(b) Impairment of low-risk financial assets

Cash at bank and debt instruments of investment grade are classified as low risk. It is assumed their credit risk has not increased significantly since initial recognition. Such low-risk instruments are categorised as Stage 1 with any provision based upon a 12-month probability of default.

2.8.5 Write-off

A loan is written off (either partially or in full) against the related provision when the proceeds from realising any available security have been received, there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof, and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised directly in the income statement.

2.9 Hedge Accounting

The Bank has elected to apply the hedge accounting requirements of IAS 39. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and the hedged item(s) including the risk management objectives and its strategy in undertaking the hedge. The Bank makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

Fair value hedges

The Bank enters into interest rate swaps to mitigate interest rate risk. The hedge relationship is designated as a fair value hedge which is the hedge of exposure to changes in fair value of a recognised asset, liability or a firm commitment attributable to interest rate risk and could affect profit or loss.

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

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest rate method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

2.10 Leases

At inception of a contract the Bank assesses whether a contract is, or contains, a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or modification, the Bank recognises right-of-use assets and lease liabilities, except for lease terms of less than 12 months or leases of low value items.

Right-of-use assets and lease liabilities are initially recognised at the net present value of future lease payments, discounted at the rate implicit in the lease or, where not available, the Bank's incremental borrowing cost. Subsequent to initial recognition, the right-of-use asset is depreciated on a straight-line basis over the term of the lease.

Future rental payments are deducted from the lease liability, with interest charged on the lease liability using the incremental borrowing cost at the time of initial recognition. The Bank recognises lease liability payments within financing activities in the statement of cash flows.

The Bank assesses the likely impact of early terminations in recognising the right-of-use asset and lease liability where an option to terminate early exists.

Leases of low value assets or with terms of 12 months or less are recognised on an accruals basis directly in the income statement.

2.11 Share Warrants

A warrant is an instrument that entitles the holder to buy an underlying security of the issuing company at an exercise price within a certain time frame. The appropriate accounting for the warrants is determined by reviewing the terms and conditions to understand whether the warrants have characteristics of:

- an equity instrument; or
- a derivative financial liability ("financial liability").

As guided by accounting for warrants under IAS 32, equity classification applies to instruments where a fixed amount of cash (or liability), denominated in the issuer's functional currency, is exchanged for a fixed number of shares (often referred to as the "fixed for fixed" criteria). A warrant that fails to meet equity classification is classified as a derivative financial liability that is measured at fair value, with changes in value recorded in the income statement.

2.12 Share capital

Ordinary shares are classified as equity. Share premium costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.13 Interest income and expense

Interest income and expense is recognised using the effective interest rate method (EIR). Interest income arises from the Bank's loan products where the interest rate is contractually set at a fixed or variable (floating) interest rate throughout the term of the loan.

Interest income for not credit impaired loans, i.e. Stage 1 and Stage 2 loans, is recognised by applying EIR on the gross carrying amount of a financial asset before adjusting for any loss allowance. For credit-impaired financial assets, i.e. Stage 3, interest income is recognised on a net basis which is the gross carrying amount less the loss allowance (ECL).

Fee and commission income and broker expenses which are integral to the origination of the financial instrument are included in interest income.

Interest expense comprises funding costs and interest expensed on customer deposits.

2.14 Commission and fees

Fee and commission income which is not integral to the origination of the financial instrument is recognised as the related services are performed.

Service and other fees are expensed as the service is received.

2.15 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or as incurred.

2.16 Corporation tax

Tax on the result for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income and equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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

Deferred income tax assets are recognised to the extent that it is likely that future taxable profits will be available against which the temporary differences can be utilised.

3 Judgements and estimates

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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. The bases of the estimates and judgements on key items are given below.

(a) Provisions for impairment of financial assets – Estimate

The IFRS 9 model that is being used by Recognise Bank to calculate the provision under IFRS 9 has been developed with a third party managed service provider. Calculations within the model are performed at an account level using a bottom-up approach, which facilitates the best estimate of the provision required. A scenario-based approach is used to forecast the probability weighted unbiased expectation of future losses.

Forward looking macro-economic scenarios

As IFRS 9 is a forward-looking measure of impairment, economic scenarios were used to build economic models. Economic Scenarios, obtained from a third-party supplier, are combined with econometric models to forecast the Credit Cycle Index (CCI) over the next 15 years. Data from the third party was used to create suitable indices that most closely represent the types of customers that Recognise Bank serves.

Multiple economic variables such as GDP, CPPI, HPI, BoE interest rates and the aggregated 1-month PD time series are used in the econometric models to forecast the Credit Cycle Index (CCI), which we refer to in the model as the Z-index. The Z-index is used to condition the PD values of each counterparty over time to the expected path of the credit cycle.

Four macroeconomic scenarios were modelled as follows:

- Forecast
- Moderate downturn
- Moderate upside
- Severe

The GDP paths in the scenarios vary across the future periods. In the Moderate downturn scenario there is a 0.2% fall in GDP followed by a moderate recovery. The GDP path for the Forecast scenario has a long run average of 0.5% starting from the third quarter of 2027. In the Severe scenario GDP falls 2.9% followed by a moderate recovery in the first quarter of 2026.

The effect of these scenarios on the Expected Credit Loss (ECL) is shown below. The table summarises the change in total provision, indicating how much it would decrease or increase if a weighting of 100% was applied to each scenario in turn.

	31 March 2025 £'000	31 March 2024 £'000
Forecast	59	28
Moderate downturn	(88)	(44)
Severe	(1,031)	(646)
Moderate upside	183	95

Assumptions in the model components

Assumptions were made for each component within the model (PD, LGD, EAD) to ensure the model produces results that are plausible and reliable. The assumptions were calibrated in workshops with expert input from management and supported by benchmarking data from industry peers.

Probability of Default (PD)

Through-the-Cycle (TtC) PD, which refers to the long-run default rate across the economic cycle or under average economic conditions, and asset correlation (p), which describes how sensitive the portfolio is to a change in the economic cycle, serve as input in calculating the Forward-in-Time (FiT) PD. These parameters were calibrated with expert input from management to best suit the characteristics of Recognise Bank's portfolio.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss if there is a default. The LGD model considers probability of cure and economic loss given cure, time taken to sell, forced sale discount, recovery costs, and change in collateral value between latest valuation date and date of sale. For loans secured by property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for lending collateralised by property, possible changes in property prices.

Exposure at Default (EAD)

A categorised schedule that considers interest, fees and arrears is used for amortising elements of the credit portfolio while the periodic payments on interest only loans are assumed to equal the interest charge. The model assumes no prepayments on loans will be made. It is also assumed that the probability of instantly repaying the loan in full and closing the account in a non-default state is 0%.

Expected Credit Losses (ECL)

IFRS 9 rules require that the ECL for each scenario is risk weighted to provide an overall weighted ECL figure. The ECL figure varies depending upon the weightings applied and determines the provision to be recognised at the balance sheet date. The weightings approved at ALCO are shown below.

	31 March 2025 £'000	31 March 2024 £'000
Forecast	55%	56%
Moderate	20%	20%
Severe	5%	4%
Upside	20%	20%

The credit portfolio as at 31 March 2025 was £305.6m (2024: £302.7m). As at 31 March 2025, application of the model generated a Stage 1 and Stage 2 IFRS 9 impairment provision of £817,000 (2024: £361,000).

Stage 3 loans were individually assessed for impairment, resulting in a provision of £5,049,000 as at 31 March 2025 (2024: £3,197,000).

Expert judgement has been applied when assessing an appropriate amount for the IFRS 9 Stage 3 provision. The weighted approach for the possible recovery outcome was adopted, with the estimated loss ranging between £2.9m in the best-case scenario, where optimal recoveries are achieved, to £7.1m in the case of the earliest possible sales of properties and realisation of other collaterals. The valuation of collaterals for each scenario is based on indicative prices obtained, where available, from third parties.

(b) Deferred tax asset recognition – Judgement

Financial forecasts based on the revised strategy were considered when assessing whether it was appropriate to recognise a deferred tax asset. As the Bank was loss-making in the financial year ended 31 March 2025, it was decided not to recognise any deferred tax asset. This judgement will be revisited once the Bank is trading profitably.

4 Financial instruments and risk management

4.1 Financial instruments

4.1.1 Categories of financial assets and liabilities

Financial assets and liabilities are measured either at fair value or at amortised cost.

	Total carrying amount			
	2025		2024	
	Amortised cost £'000	FVPL £'000	Amortised cost £'000	FVPL £'000
Assets				
Cash and cash equivalents	238,732	-	164,292	-
Debt securities	9,932	-	-	-
Loans to customers	305,596	-	302,710	-
Other assets	313	369	33	-
Total	554,573	369	467,035	-
Liabilities				
Deposits from customers	484,311	-	411,667	-
Borrowings	503	-	517	-
Lease liabilities	-	-	188	-
Other liabilities	3,286	-	3,340	-
Total	488,100	-	415,712	-

4.1.2 Fair value estimation

The Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: inputs are other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs are unobservable inputs for the asset or liability

(a) Assets and liabilities carried at fair value

31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at FVPL				
Derivative financial instruments	-	20	-	20
Equity investments	-	-	349	349
Total financial assets at FVPL	-	20	349	369

Derivative financial instruments (interest rate swaps) are fair valued using a valuation technique with observable market inputs.

Equity investments are valued using a valuation multiples method on the basis of net asset value.

No financial liabilities at fair value were held throughout the year to 31 March 2025.

No financial assets or liabilities at fair value were held throughout the year to 31 March 2024.

(b) Fair value of financial assets and liabilities carried at amortised cost

31 March 2025	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000	Total carrying value £'000
Financial assets at amortised cost					
Debt securities	9,933	-	-	9,933	9,932
Loans to customers	-	-	315,024	315,024	305,596
Financial liabilities at amortised cost					
Deposits from customers	-	-	487,185	487,185	484,311

31 March 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000	Total carrying value £'000
Financial assets at amortised cost					
Debt securities	-	-	-	-	-
Loans to customers	-	-	315,750	315,750	302,710
Financial liabilities at amortised cost					
Deposits from customers	-	-	415,973	415,973	411,667

The fair value of loans to customers and deposits from customers, for the purpose of this disclosure, is calculated by discounting expected cash flows using the current market interest rates.

At 31 March 2025 and 31 March 2024, the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

4.2 Financial risk management

The financial risks faced by the Bank include credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk). The Board reviews and agrees policies for managing each of these risks. The Bank does not use derivative financial instruments for trading purposes.

Credit risk

Credit risk is the risk of the financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The scale of risk to the Bank is set out in the table below:

Credit risk exposures (all Stage 1, unless otherwise stated)	**2025 £'000**	**2024 £'000**
On-balance sheet		
Cash and balances at central banks	238,732	164,292
Debt securities	9,932	-
Loans and advances to customers (net of ECLs)		
Stage 1	284,358	283,769
Stage 2	15,193	17,390
Stage 3	6,045	1,551
Other assets	313	33
Off-balance sheet		
Loan commitments and other credit related liabilities	38,271	13,870
As at 31 March	592,844	480,905

The Bank's exposure to credit risk is influenced mainly by the individual characteristics of each customer loan, or receivable. Each new customer is analysed individually for creditworthiness before payment is made. The conduct of customer accounts is reviewed regularly.

Exposure to credit risk is managed in part by obtaining collateral security and corporate and personal guarantees, as management considers necessary. Property bridging loans are secured over the property for which the loan is advanced and personal guarantees are also obtained.

The Bank establishes an allowance for impairment on the basis set out in Notes 2 and 3.

The table below represents an analysis of the loan to values of the loan exposures secured by property:

	2025		**2024**	
	Loan balance £'000	**Collateral £'000**	**Loan balance £'000**	**Collateral £'000**
Less than 60%	**158,723**	**383,795**	**149,631**	**409,225**
Stage 1	149,444	362,979	140,210	387,240
Stage 2	8,235	18,647	9,421	21,985
Stage 3	1,044	2,169	-	-
60%-80%	**104,670**	**159,059**	**112,627**	**167,446**
Stage 1	94,950	144,552	105,220	156,899
Stage 2	5,337	7,702	7,407	10,547
Stage 3	4,383	6,805	-	-
More than 80%	**7,435**	**8,608**	**6,644**	**7,023**
Stage 1	6,728	7,774	4,624	5,138
Stage 2	142	171	562	685
Stage 3	565	663	1,458	1,200
As at 31 March	**270,828**	**551,462**	**268,902**	**583,694**

As at 31 March 2025 and 31 March 2024, loan to value percentages were based on indexed values.

The following tables provide information on the credit quality of the loan book.

Portfolio analysis by the credit risk grade as at 31 March 2025:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances				
Strong	20,005	811	-	20,816
Good	263,383	5,029	-	268,412
Satisfactory	1,496	9,618	5,043	16,157
Weak	-	-	6,051	6,051
Gross loans and advances at 31 March 2025	284,884	15,458	11,094	311,436
Allowances for ECLs				
Strong	(19)	(1)	-	(20)
Good	(497)	(17)	-	(514)
Satisfactory	(10)	(247)	(622)	(879)
Weak	-	-	(4,427)	(4,427)
Allowances for ECLs at 31 March 2025	(526)	(265)	(5,049)	(5,840)

Portfolio analysis by the credit risk grade as at 31 March 2024:

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances				
Strong	28,110	848	-	28,958
Good	254,798	11,717	-	266,515
Satisfactory	1,196	4,840	-	6,036
Weak	-	-	4,748	4,748
Gross loans and advances at 31 March 2024	284,104	17,405	4,748	306,257
Allowances for ECLs				
Strong	(11)	-	-	(11)
Good	(312)	(5)	-	(317)
Satisfactory	(12)	(10)	-	(22)
Weak	-	-	(3,197)	(3,197)
Allowances for ECLs at 31 March 2024	(335)	(15)	(3,197)	(3,547)

The Bank monitors concentrations by loan product and geographical distribution of exposures to manage the risk of overexposure to any one market segment.

The table below shows the concentration in the loan book based on the type of loan and collateral held:

	2025		2024	
	Loan balance	**Collateral**	**Loan balance**	**Collateral**
	£'000	**£'000**	**£'000**	**£'000**
Concentration by Product				
Bridging	123,984	282,803	108,897	302,149
Commercial	58,820	116,332	68,100	125,602
Professional buy-to-let	88,024	152,327	91,905	155,943
Working Capital	-	-	69	-
Professional Practice	1,749	-	2,834	-
Asset Finance	33,019	61,226	30,905	42,343
As at 31 March	305,596	612,688	302,710	626,037
Concentration by Location				
East Midlands	5,422	9,041	11,478	20,292
East of England	9,296	17,145	18,019	52,661
London	88,272	209,011	96,048	229,902
North East	7,044	11,646	14,744	28,213
North West	66,234	126,160	57,352	109,870
South East	54,926	108,513	44,834	93,858
South West	9,399	18,126	10,259	20,964
Scotland	5,162	10,427	870	1,189
Wales	8,947	13,942	2,708	4,620
West Midlands	7,021	13,314	11,122	19,845
Yorkshire & Humberside	9,105	14,137	1,468	2,280
Asset Finance	33,019	61,226	30,905	42,343
Unsecured loans	1,749	-	2,903	-
As at 31 March	305,596	612,688	302,710	626,037

Foreign exchange risk

The foreign exchange risk for the Bank is immaterial as financial instruments held by the Bank are denominated in sterling.

Liquidity risk

The Bank manages liquidity risk to ensure it has sufficient funds to meet its financial obligations as they become due.

At 31 March 2025 and 31 March 2024, the Bank did not have a bank overdraft facility.

The total gross contractual undiscounted cash flows of financial liabilities, including interest payments are:

	On demand	**Less than 3 months**	**3 to 12 Months**	**1 to 5 years**	**> 5 years**	**Total**
At 31 March 2025	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Deposits from customers	175,522	16,120	156,528	151,753	-	499,923
Borrowings	503	-	-	-	-	503
Other liabilities	-	3,286	-	-	-	3,286

At 31 March 2024	On demand £'000	Less than 3 months £'000	3 to 12 Months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Deposits from customers	111,545	14,187	85,814	226,676	-	438,222
Borrowings	517	-	-	-	-	517
Lease liabilities	-	-	141	56	-	197
Other liabilities	-	3,340	-	-	-	3,340

Interest rate risk

The Bank has interest-bearing assets and liabilities at fixed or variable (floating) interest rates. Changes in the interest on variable (floating) loans will arise from changes in the underlying Bank of England base rate or market rate.

The Bank's Interest Rate Risk Management is documented within the Interest Rate Risk in the Banking Book (IRRBB) standard which is an integral part of IRRBB Policy. The principal objective of the Policy is to seek to ensure the Bank manages its interest rate risk exposures within the Board approved risk appetite.

The Bank implements appropriate strategies and controls to manage and contain the financial risks to its net worth and net income that may arise from fluctuations in interest rates. The Bank mitigates interest rate risk primarily by using existing balance sheet items to offset gross interest rate exposures (e.g. the interest rate risk on an asset is matched against a liability with a similar repricing date). ALCO is responsible for identifying, managing and controlling all balance sheet risks in accordance with Recognise Bank's chosen business strategy.

The Bank operates an efficient hedging strategy that seeks to mitigate economic exposures by offsetting gross interest rate exposures in priority to hedge accounting treatment.

Where hedging instruments are used in the management of interest rate risk, these will be used in line with Board approved parameters (e.g. acceptable counterparties, instruments, transaction types, etc.). The Bank will only use treasury instruments to manage Banking Book risks (i.e. those risks arising from activities of deposit taking and loans).

Interest rate swaps are used by the Bank for hedging purposes. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place.

Details of the Bank's fair value hedges as at 31 March 2025 are presented in the following table:

	2025		2024	
	Notional amount £'000	Fair value £'000	Notional amount £'000	Fair value £'000
Instruments in fair value hedging relationships				
Interest rate swaps	5,382	20	-	-
	Carrying value £'000	**Hedged fair value £'000**	**Carrying value £'000**	**Hedged fair value £'000**
Hedged items				
Loans and advances to customers	5,676	(21)	-	-

Hedge ineffectiveness recognised in profit or loss for the year ended 31 March 2025 amounted to £1,000 (Note 13).

There were no derivatives held for hedging or trading during the year ended 31 March 2024.

The Bank measures economic value of equity (EVE) sensitivity and net interest income (NII) sensitivity to quantify its interest rate risk exposure. The Bank considers a parallel 200 basis points (bps) movement to be appropriate for evaluating sensitivity to interest rate risk. As at 31 March 2025 the Bank estimates that a +/- 200bps movement in interest rates would have impacted:

- the economic value of equity by +£97k/-£28k respectively (2024: +£681k/-£604k);
- net interest margin by +£1,776k/-£3,166k using the 75% beta scenario where for administered products 75% of the change in market rate is passed on (2024: +£1,768k/-£2,722k).

5 Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of capital management are to ensure the Bank complies with both external and internal capital requirements and maintains healthy capital ratios to support its business and maximise shareholders' value.

The Bank's regulatory capital comprises Common Equity Tier 1 capital.

The Bank has prepared detailed budgets which include an assessment of its future capital requirements, with further capital raising from institutional and other investors planned in the future.

The Bank manages its capital structure and adjusts this in the light of changes in economic conditions, the risk characteristics of its activities and regulatory requirements. The adequacy of the Bank's capital is monitored using, amongst others, the rules and ratios established by the PRA.

The table below shows the Bank's CET1 capital ratios.

Capital Ratios (unaudited, unless stated)	2025 £'000	2024[a] (unaudited) £'000
CET1 Capital Instruments	68,801	54,132
Deductions - Intangible Assets	(1,813)	(1,832)
CET1 Capital after deductions (2025: audited)	66,988	52,300
Own Funds	66,988	52,300
CET1 Capital Ratio	30.4%	26.1%
Total Capital Ratio	30.4%	26.1%

[a] As at 31 March 2024, the capital adequacy was calculated based on consolidated financial statements in accordance with the PRA rules. The Common Equity Tier 1 (CET1) and Total Capital Ratios reported were 26.37%. The table above presents the recalculated capital ratios for March 2024 based on the Bank's separate financial statements.

6 Net interest income

	2025 £'000	2024 (unaudited) £'000
Loans and advances to customers	25,807	17,895
Cash and cash equivalents	10,196	7,591
Debt instruments	276	-
Other financial assets	15	-
Interest income	36,294	25,486
Deposits from customers	(20,826)	(13,153)
Other financial liabilities	(6)	-
Interest expense	(20,832)	(13,153)
Net interest income	15,462	12,333

All revenues arise in the United Kingdom.

7 Fee and commission income and expense

	2025 £'000	2024 (unaudited) £'000
Lending fee and commission income	412	401
Lending expense	(32)	(93)
Other fees	(29)	(7)
Fee and commission expense	(61)	(100)
Net fee and commission income	351	301

8 Employee numbers and costs

The average number of persons employed by the Bank (including directors) during the year, was as follows:

	2025	2024
Recognise Bank Limited	70	73

The aggregate payroll costs of these persons were as follows:

	2025 £'000	2024 (unaudited) £'000
Wages and salaries	9,428	8,860
Social security costs	1,288	1,123
Pensions	311	349
Other payroll related costs	615	109
	11,642	10,441
Restructuring costs (Note 10)	(1,296)	-
	10,346	10,441

The key management personnel of the Bank are the directors and members of ExCo, all of whose emoluments are included in the aggregate payroll costs above.

The emoluments of the directors in respect of services to the Bank were as follows:

	2025 £'000	2024 £'000
Wages and salaries	1,365	1,269
Social security costs	219	185
Pensions	-	22
Other payroll related costs	105	90
	1,689	1,566

The total emoluments of the highest paid director (including £318,373 for payment in lieu of notice and compensation for loss of office) were £844,227 (2024: £567,438). In addition, aggregate social security costs were £137,614 (2024: £79,438). No other director received compensation for loss of office.

The aggregate emoluments for the year of the members of ExCo, excluding those who were also directors, were £2,917,000 (including £242,000 for payments in lieu of notice and compensation for loss of office) (2024: £2,232,000 including £242,000 for payments in lieu of notice). In addition, aggregate social security costs were £390,000 (2024: £310,000) and pension costs were £86,000 (2024: £62,000).

9 Other operating expenses

	2025	2024
		(unaudited)
	£'000	£'000
Consultancy charges	2,710	2,390
IT and software expenses	2,135	2,211
Irrecoverable VAT	1,145	1,250
Outsourced costs	959	1,167
Property related expenses	294	299
Other miscellaneous costs	670	921
	7,913	8,238
Restructuring costs (Note 10)	(1,029)	-
	6,884	8,238

	2025	2024
Auditors' remuneration	£'000	£'000
Fees payable to the Bank's auditors for the Company's statutory audit	352	377

10 Restructuring costs

	2025	2024
		(unaudited)
	£'000	£'000
Payroll costs	1,296	-
Consultancy charges	709	-
IT and software expenses	148	-
Irrecoverable VAT	172	-
	2,325	-

11 Depreciation and amortisation

	2025	2024
		(unaudited)
	£'000	£'000
Depreciation on tangible fixed assets	110	117
Amortisation of intangible assets	421	317
Amortisation of right-of-use assets	168	201
	699	635

12 Net impairment loss on financial assets

	2025	2024
		(unaudited)
	£'000	£'000
Increase in IFRS 9 provision for expected credit losses	2,311	3,339

13 Other income

	2025	2024
		(unaudited)
	£'000	£'000
R&D incentive claim	529	760
One off licence fee (Note 31)	422	-
Dividend income (Note 31)	400	-
Movement in fair value of derivatives held within an effective hedge relationship	20	-
Movement in fair value of hedged items attributable to hedged risk	(21)	-
Other income	70	-
	1,420	760

14 Tax expense for the year

	2025	2024
		(unaudited)
	£'000	£'000
UK Corporation Tax		
Current tax on the result for the year	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(5,332)	(9,259)
At standard rate of corporation tax in the UK of 25% (2024: 25%)	(1,333)	(2,315)
Effects of:		
Short term timing differences	72	19
Permanent timing differences	(194)	(175)
Movement on unrecognised deferred tax asset	1,455	2,471
Tax charge for the year	-	-

15 Dividends

No dividends were paid and recognised during either the current or prior year. The directors do not recommend payment of a final dividend (2024: nil).

16 Cash and cash equivalents

	2025	2024
	£'000	£'000
Cash and balances at Central Bank	237,534	161,606
Cash at other banks	1,198	2,686
	238,732	164,292

Within the cash at other banks balances, there was £50,000 of restricted cash (2024: £50,000) which represents a minimum deposit balance held with a bank.

17 Debt securities

	2025 £'000	2024 £'000
UK Government Treasury Bills – at amortised cost	9,932	-

The movement in government bonds is summarised as follows:

	2025 £'000	2024 £'000
At 1 April	-	-
Additions	14,656	-
Redemptions	(5,000)	-
Discount unwinding	276	-
At 31 March	9,932	-

18 Loans and advances to customers

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances at 1 April 2024	284,104	17,405	4,748	306,257
Originations	102,572	-	-	102,572
Transfer to Stage 1	8,336	(8,336)	-	-
Transfer to Stage 2	(12,132)	12,132	-	-
Transfer to Stage 3	(4,264)	(2,091)	6,355	-
Repayments	(93,732)	(3,652)	(9)	(97,393)
Gross loans and advances at 31 March 2025	284,884	15,458	11,094	311,436
Allowances for ECLs at 31 March 2025	(526)	(265)	(5,049)	(5,840)
Net loans and advances at 31 March 2025	284,358	15,193	6,045	305,596
Impairment				
Allowances for ECLs at 1 April 2024	335	15	3,197	3,547
Movement in provision for impairment				
Increase due to originations	159	-	-	159
Transfer to Stage 1	5	(5)	-	-
Transfer to Stage 2	(20)	20	-	-
Transfer to Stage 3	(2)	(1)	3	-
Decrease due to repayments	(35)	(3)	-	(38)
Provisions	84	239	1,849	2,172
Total movement in loss allowance	191	250	1,852	2,293
Allowances for ECLs at 31 March 2025	526	265	5,049	5,840

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances at 1 April 2023	121,660	-	-	121,660
Originations	221,910	-	-	221,910
Transfer to Stage 2	(23,080)	23,080	-	-
Transfer to Stage 3	-	(4,748)	4,748	-
Repayments	(36,386)	(927)	-	(37,313)
Gross loans and advances at 31 March 2024	284,104	17,405	4,748	306,257
Allowances for ECLs at 31 March 2024	(335)	(15)	(3,197)	(3,547)
Net loans and advances at 31 March 2024	283,769	17,390	1,551	302,710
Impairment				
Allowances for ECLs at 1 April 2023	219	-	-	219
Movement in provision for impairment				
Increase due to originations	142	-	-	142
Transfer to Stage 2	(26)	26	-	-
Transfer to Stage 3	-	(253)	253	-
Decrease due to repayments	-	(535)	-	(535)
Provisions	-	777	2,944	3,721
Total movement in loss allowance	116	15	3,197	3,328
Allowances for ECLs at 31 March 2024	335	15	3,197	3,547

Finance leases receivable

The Bank's finance leases receivable (before ECL), which comprise hire purchase contracts and are included within loans and advances to customers, are analysed as follows:

	2025 £'000	2024 £'000
Gross investment:		
Less than one year	14,025	10,290
One to two years	11,694	9,477
Two to three years	7,165	7,566
Three to four years	3,107	4,806
Four to five years	608	2,362
More than five years	290	400
	36,889	34,901
Unearned future finance income	(3,480)	(3,808)
Net investment in finance leases receivable	33,409	31,093
The net investment in finance leases may be analysed as follows:		
Less than one year	12,219	9,259
One to two years	10,653	8,499
Two to three years	6,709	6,690
Three to four years	2,969	4,219
Four to five years	577	2,083
More than five years	282	343
	33,409	31,093

Asset finance loans are advanced to customers for business-critical assets such as commercial vehicles, plant and machinery with the finance income arising being recognised as interest income in the income statement.

19 Investment in subsidiaries

	2025 £'000	2024 £'000
At 1 April	349	3,349
Repayment of surplus capital from Credit Asset Management Limited	-	(3,000)
Reclassification as investment (Note 23)	(349)	-
At 31 March	-	349

Company name	Nature of business	2025 Control %	2024 Control %
Credit Asset Management Limited	Asset finance and loans	-	100%

The Company's wholly-owned subsidiary, Credit Asset Management Limited, a company registered in England and Wales, was put into members' voluntary liquidation on 24 March 2025, when joint liquidators were appointed. On 17 October 2024, its residual business and assets were transferred to Recognise Bank Limited and it ceased business activities from that date. Prior to the company entering members' voluntary liquidation, it paid a dividend of £400,000 from its post-acquisition reserves to Recognise Bank Limited (see Note 31). At 24 March 2025, the share capital and reserves of Credit Asset Management Limited were £538,576.

When the Bank lost control over Credit Asset Management Limited on appointment of the joint liquidators, the investment in subsidiary was derecognised and it was reclassified as an equity investment (see Note 23).

There was no impairment in the value of the Bank's investment in its subsidiaries at 31 March 2024.

20 Property, plant and equipment

	2025 £'000	2024 £'000
Cost		
At 1 April	456	404
Additions	7	52
Disposals	(25)	-
At 31 March	438	456
Accumulated depreciation		
At 1 April	291	174
Charge in year	110	117
Disposals	(25)	-
At 31 March	376	291
Net book amount		
At 31 March	62	165

Property, plant and equipment comprises office furniture and equipment.

21 Intangible assets

	2025 £'000	2024 £'000
Cost		
At 1 April	2,862	1,808
Additions	402	1,054
At 31 March	3,264	2,862
Accumulated amortisation		
At 1 April	1,030	713
Charge in year	421	317
At 31 March	1,451	1,030
Net book amount		
At 31 March	1,813	1,832

Intangible assets comprise primarily core banking software.

22 Leases

Information on leases where the Bank is a lessee is given below. Information on leases where the Bank is the lessor is provided in Note 18.

Right-of-use assets

The changes in the carrying value of right-of-use assets were as follows:

Property leases	2025 £'000	2024 £'000
At 1 April	171	372
Additions	-	-
Amortisation for the year	(168)	(201)
At 31 March	3	171

The property leases comprise the following:

- The Bank's Head Office premises in London were leased in April 2022 under a lease expiring on 6 April 2027, with an option to cancel the lease at any time on or after 7 April 2025 on providing three months' written notice. The lease liability has been measured at the present value of the contractual payments due over the period of the lease, using a discount rate of 6%. After the year-end, the Bank terminated the lease and entered into a new lease agreement for premises in London.

- Other premises leased by the Bank during the year were for a period of less than one year. The Bank opted to recognise the lease expense on a straight-line basis as permitted by IFRS 16.

Lease Liabilities

Property leases	2025 £'000	2024 £'000
At 1 April	188	413
Additions	-	-
Interest expense	10	22
Lease payments	(198)	(247)
At 31 March	-	188
Amount due within one year	-	131
Amount due after one year	-	57

The Bank does not have a significant liquidity risk regarding its lease liabilities as it has sufficient current assets to meet the obligations related to lease liabilities as and when they fall due.

The amounts relating to short-term leases are recognised as an expense for the year and future aggregate commitments for these are:

	2025 £'000	2024 £'000
Short-term lease expense	114	121
Aggregate commitments for short-term leases	168	49

23 Other assets

	2025 £'000	2024 £'000
Prepayments	736	726
Amount owed by Employee Benefit Trust (Note 31)	211	211
Investment[a]	349	-
Collateralised receivable	50	-
Interest rate swaps held in fair value hedge	20	-
Other	52	33
	1,418	970

[a] The investment comprises the Bank's equity investment in Credit Asset Management Limited, a company registered in England and Wales, which was put into members' voluntary liquidation on 24 March 2025, when joint liquidators were appointed and took control over the company.

24 Deposits from customers

	2025 £'000	2024 £'000
Notice accounts	245,542	171,326
Term deposits	238,769	240,341
	484,311	411,667

25 Borrowings

	2025 £'000	2024 £'000
Loan from Credit Asset Management Limited (see Note 19)	503	517

26 Other liabilities

	2025 £'000	2024 £'000
Trade creditors	259	524
Other taxation and social security contributions	655	645
Accruals	2,862	2,594
Other	165	222
	3,941	3,985

27 Share capital

Allotted, called up and fully paid	2025 Number	2024 Number	2025 £'000	2024 £'000
A ordinary shares of £1 each	82,530,611	62,529,724	82,531	62,530

The Company did not hold any ordinary shares in treasury at 31 March 2025 (2024: nil). 1,366,193 A ordinary shares of £1.00 were held by the Employee Benefit Trust at 31 March 2025 (2024: 1,366,193).

The Company made the following issues of shares during the year ended 31 March 2025:

- On 1 November 2024, the Company issued 20,000,000 A ordinary shares of £1.00 each at par to Parasol V27 Limited ("PV27") for cash of £20,000,000.
- On 31 January 2025, the Company issued 877 A ordinary shares of £1.00 at par for cash of £887 to existing shareholders who subscribed for shares under the Catch-up Subscription Offer. These shares were issued on the same terms as those issued to PV27 on 1 November 2024.

The proceeds from shares issued for cash during the year are being applied to support the development of the Company.

Movements in the share capital and share premium are as follows:

Issue of shares	Number of A ordinary shares of £1 each	Share capital £'000	Share premium £'000
At 1 April 2022	30,577,708	30,578	32,513
Issued for cash on 24 May 2022	2,633,163	2,633	3,818
Issued on transfer of CAML on 3 August 2022	684,489	684	993
Issued for cash on 28 February 2023	23,584,906	23,585	1,415
Issued for cash on 22 March 2023	49,454	50	3
Costs charged to Share premium	-	-	(20)
At 31 March 2023/1 April 2023	57,529,720	57,530	38,722
Issued for cash on 11 May 2023	4	-	-
Issued for cash on 25 October 2023	5,000,000	5,000	-
At 31 March 2024/1 April 2024	62,529,724	62,530	38,722
Issued for cash on 1 November 2024	20,000,000	20,000	-
Issued for cash on 31 January 2025	887	1	-
At 31 March 2025	82,530,611	82,531	38,722

Share warrants

The table below summarises information on warrants which were outstanding at 31 March 2025 and 31 March 2024.

The Open Offer Replacement warrants, which were issued on 21 February 2023, expired on 31 October 2024. No warrants were exercised in the period up to their expiry.

The Equity Subscription warrants enable the holders to subscribe for ordinary shares of the Company at £1.06 each during the 3-year period from the dates of issue of 28 February 2023 and 22 March 2023 respectively. None of the Equity Subscription warrants have been exercised since their date of issue.

	2025 Number	2025 £'000	2024 Number	2024 £'000
Open Offer Replacement warrants issued on 21 February 2023	-	-	286,059	-
Equity Subscription warrants issued on 28 February 2023	23,584,906	-	23,584,906	-
Equity Subscription warrants issued on 22 March 2023	49,454	-	49,454	-
As at 31 March	23,634,360	-	23,920,419	-

28 Other Reserves

	2025 £'000	2024 £'000
Share-based payments	90	90

In accordance with the terms of a Settlement Agreement with a former employee of the Bank, the Bank granted an option on 12 January 2024 over 330,188 ordinary shares in the Company, exercisable in whole or in part on payment of £1 within a three-year period from its date of issue. The deemed value of the option as at the date of issue was £89,902 and this, together with the associated employer's national insurance of £12,856 that would become payable on exercise of the option, has been charged in the income statement. The value of the option was assessed by applying a discount of 25% to the average market capitalisation to net book value ratios of a basket of market comparables, to reflect the fact the Company is a private company that is still in its development phase.

The shares held by the Trustees of the Recognise Bank Employee Benefit Trust are available to meet future share awards to employees. It is intended that shares held by the Trustees would be transferred to the former employee following exercise of the option referred to above.

29 Commitments

As at 31 March 2025, the Bank was contractually committed to make future loan advances of £38,270,853 (2024: £13,870,492) to customers.

The Bank is contractually committed to issue up to 23,634,360 new ordinary shares should holders of the 23,634,360 Equity Subscription warrants referred to in Note 27 exercise their right to subscribe for shares at £1.06 in cash per share on or before the third anniversary of their date of issue, which is 28 February 2026 or 21 March 2026.

Under the terms of a Settlement Agreement dated 24 May 2022 with a former employee of the Bank, the Bank was contractually committed to procure that its then parent company, City of London Group plc, would issue an option for him to acquire shares worth £350,000 at the date of issue of the option, exercisable in whole or in part on payment of £1 within a three-year period from its date of issue. At that date, the shares of City of London Group plc were traded on AIM. However, as part of the group reorganisation on 25 January 2023, City of London Group plc delisted from AIM and went into members' voluntary liquidation. The Company has offered to grant an option for him to acquire 330,188 ordinary shares in the Company. An accrual for the deemed overall cost of this option of £91,541 is carried in the accounts. The deemed overall cost was assessed on the basis set out in Note 28 for the option issued on 12 January 2024.

30 Deferred tax assets and liabilities

	2025 £'000	2024 £'000
Deferred tax assets and liabilities are as follows:		
Tax losses	11,987	10,255
Short-term timing differences	(5)	(32)
	11,982	10,223
Unrecognised deferred tax asset	(11,982)	(10,223)
	-	-

No deferred tax assets were recognised in the financial statements at 31 March 2025 or 31 March 2024.

The unrecognised deferred tax asset has been calculated using a UK corporation tax rate of 25% (2024: 25%) on the basis of trading losses carried forward of £47,949,000 (2024: £41,021,000) and timing differences of £48,000 (2024: £127,000). There is no time limit for the utilisation of these amounts.

31 Related parties transactions

The related parties of the Bank are key management personnel of the Bank, major shareholders and their controlled undertakings. Credit Asset Management Limited was placed into members' voluntary liquidation on 24 March 2025 when joint liquidators were appointed and assumed control over the company.

The Bank entered into the following related party transactions during the year ended 31 March 2025:

(a) On 1 November 2024, the Company issued 20,000,000 A ordinary shares of £1.00 each at par to PV27 for cash of £20,000,000.

(b) On 29 July 2024, CAML, the Bank's subsidiary, deposited £280,000 surplus funds with Recognise Bank Limited, advancing the funds on an interest free basis with repayment on demand.

(c) On 17 October 2024, CAML transferred its residual business and assets at their fair value of £45,737 to the Company and ceased business operations from that date. The consideration payable was settled through the Company's loan account with CAML.

(d) On 18 March 2025, CAML paid a dividend of £400,000 to the Company from its distributable reserves, with £60,000 being paid in cash and £340,000 offset against the amount the Company owed to CAML on its loan account.

(e) The compensation paid or payable to key management personnel is presented in Note 8.

The table below summarises the amounts owed by and to the Bank by related parties as at the year-end, as well as amounts charged to and receivable by the Company in each year.

Balance outstanding as at 31 March	2025 £'000	2024 £'000
Employee Benefit Trust		
Amount receivable (Note 23)	211	211
Credit Asset Management Limited		
Borrowings (Note 25)	(503)	(517)

Income arising from related party transactions during the year	2025 £'000	2024 £'000
Entity under common control of ultimate parent company		
One off licence fee	422	-

32 Ultimate holding company

The Company's immediate parent company is Parasol V27 Limited, a company incorporated in Gibraltar. The ultimate parent company is Parasol V27 Holdings Limited, a company incorporated in Gibraltar.

The Bank has a relationship agreement with Parasol V27 Limited. In addition to specifying matters where prior written consent from Parasol V27 Limited is required to be given to the Bank, Parasol V27 Limited is also entitled, subject to the prior approval of the PRA, to nominate two non-executive directors to the board of directors of the Bank while it holds 50% or more of the voting rights of the Bank. If it is interested in 10% or more but less than 50% of the voting rights, it is entitled to nominate one non-executive director. Parasol V27 Limited has currently nominated one non-executive director, Dan Erel, to the Board with Christopher Kraft being appointed his alternate.

Copies of Recognise Bank Limited's financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

33 Post balance sheet events

There are no material reportable post balance sheet events to be disclosed.

Shareholder information

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