OakNorth

2023 ANNUAL REPORT

BUSINESS PERFORMANCE
KEY HIGHLIGHTS

£10.2bn
Lent since inception

29,000
New Homes (mainly affordable) development supported[1]

1%
Of banks globally in terms of return on assets (ROA) ratio[4]

47,000
Jobs created or supported[2]

22%
Return on required equity[5]

254k+
Savings customers[3]

28%
Efficiency ratio[6]

80%+
New lending originated via referrals or by OakNorth directly[7]

[1] Non financial metric- Number of new residential units development supported by OakNorth's lending, tracked by individual transactions funded since inception

[2] Non financial metric- Based on OakNorth calculations using UK National Accounts data on Gross Value add (GVA), employment , revenue by sector and applying the metrics to incremental revenue generation by OakNorth's lending customers and resulting contribution to GVA and employment.

[3] Non financial metric

[4] Non financial metric- Banker's Top 1000 World Banks ranking https://www.thebanker.com/United-National-tops-ROA-for-third-year-1688511766

[5] Net income expressed as a percentage of total regulatory equity capital required (total regulatory capital required less Tier 2)

[6] Efficiency ratio is cost-to-income ratio

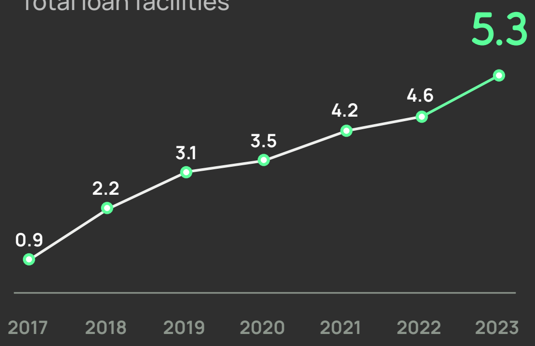
[7] Non financial metric- Proportion of gross lending for the year which is originated by OakNorth's own team or via customer referrals and not sourced through introducers

BUSINESS PERFORMANCE
KEY HIGHLIGHTS

14% from 2022

£5.3bn

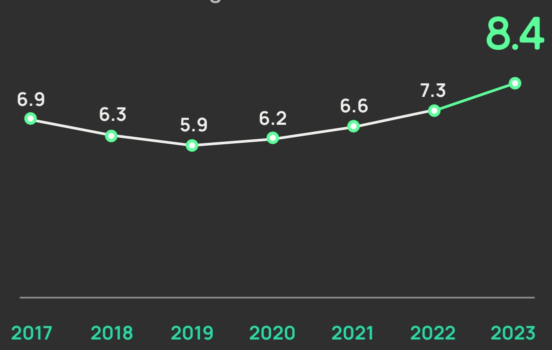
Total loan facilities



15% from 2022

8.4%

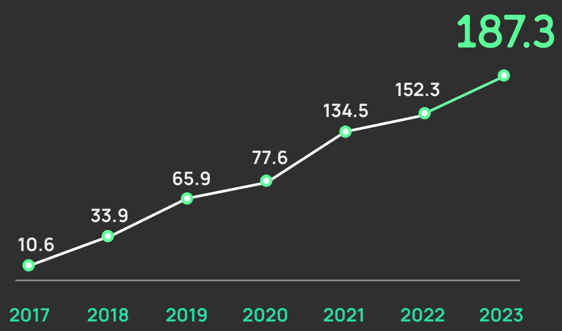
Net interest margin



23% from 2022

£187.3m

Profit before taxes



CHAIRMAN'S STATEMENT

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This year was marked by a complex and uncertain economic environment. Against a backdrop of high inflation and lacklustre economic growth, central banks continued to increase rates multiple times until the summer. While inflation in the UK has been declining, the latest Monetary Policy report anticipates rates remaining at high levels for several upcoming quarters. Over the next 12 months, some 900,000 households will see their monthly mortgage repayments jump, further reducing consumer disposable income and spending. Ongoing economic challenges, a general election expected in the second half of the year, and a volatile global geopolitical setting, mean we will continue to have a highly unpredictable environment in 2024.

Notwithstanding these challenges, small and medium-sized businesses continue to flourish, with entrepreneurs seeking opportunities to grow. The UK remains a powerhouse across several sectors, including health and social care, life sciences, fintech, and hospitality to name a few. Visionary and ambitious entrepreneurs continue to seek out opportunities to create, innovate, and grow their businesses. OakNorth is committed to supporting these businesses in good as well as challenging times.

Cyrus Ardalan
CHAIRMAN

OakNorth's growth and success in 2023 was driven by its support for these 'Missing Middle' customers, enabling it to achieve record levels of lending and profitability. In 2023, a time when new lending to SMEs across all banks fell by 16%[8] year on year, OakNorth provided £1.7 billion gross lending to businesses across a broad range of sectors and regions.

The issue is that, depending on what's happening in the economy, many banks will quickly veto entire sectors, regions, or structures, without differentiation. I've seen this time and again over my five decades in the industry. With 62% of consumers spending less on non-essentials due to the cost-of-living crisis[9], consumer-facing industries such as hospitality and leisure, as well as much of retail, are finding themselves

[8] Source: Bank of England

[9] Source: ONS https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/spending

on many banks' black-lists. OakNorth fortunately doesn't take this approach. Its data and analytics capabilities mean it's able to identify strong businesses in every industry, and work with customers to support them in their growth ambitions, regardless of what sector or region they belong to, or what point the economy is in the cycle. Below are just a few examples of this from the last year:

Storal is one of the highest-quality nursery operators in the UK, operating 26 nurseries and two out-of-school clubs. With capital from OakNorth, the group is opening additional sites across the UK, taking advantage of the Budget announcement earlier this year for extended free childcare support.

Omniplex Learning is a market-leading supplier of eLearning software and solutions, including authoring tools, learning management systems (LMS), and digital adoption systems. OakNorth provided it with funding for working capital and growth.

LNT Care is a West Yorkshire-based developer of purpose-built residential care homes with over 200 sites across the UK. OakNorth provided it with growth capital to develop up to eight new carbon-zero care homes across the UK.

OneMedical Property develops, owns, and invests in NHS-occupied healthcare premises across the UK, specialising in the design, investment, management, and development of medical centres. With capital from OakNorth, the business is developing three multi-tenanted health and wellbeing centres in Northwest London, Essex, and Wigan.

Third Space is a luxury health and fitness brand with eight clubs across London. With capital from OakNorth, the business plans to significantly increase its footprint and grow its team.

Heartwood Collection is a pub and restaurant operator with 20 pubs and 14 Brasserie Blanc restaurants across the UK. OakNorth provided the business with a loan to grow to 60 sites and 500 rooms by June 2027. These ambitious growth plans will create another 1,500 jobs in the hospitality sector, taking the group's total employee headcount to 2,700.

Founded in 2010, **MoneyPlus** provides debt advice to individuals struggling with their finances, as well as legal services, to help people live better lives. Headquartered in Manchester, the business is now one of the UK's largest providers of consumer debt advice and planning, representing tens of thousands of people each year. Following an increase in demand for its specialist services, it came to OakNorth to provide the funding to support its continued growth.

Crookes Walker Consulting founded in 2004, is now one of the largest independent mechanical and electrical engineering consultancies in the North-West, with over 50 employees across offices in Manchester, Liverpool, and Birmingham. OakNorth provided the business with capital to support the creation of an Employee Ownership Trust.

Phoenix Learning and Care Group is a leading provider of specialist education and residential care for children and young adults with a range of additional needs. Established in 2006 and employing over 500 people, the business operates 41 sites including residential children's homes, specialist education schools and colleges, and ongoing adult care across the South of England and Wales. The loan from OakNorth is supporting the business' acquisition of new residential care and education sites.

Building a robust business that stands out in the industry

OakNorth's success has enabled it to fund its rapid growth over the past five years primarily from internally generated resources. During this period, it has launched new products and services, and expanded into new geographies, all while maintaining a strong capital and liquidity position. In an industry where so many businesses rely on venture capital to fuel their growth, OakNorth's success in self-funding is a remarkable achievement and stands out as one of the few fintechs that has been able to self-fund its growth for the last several years. It is a testament to the success of its business model and management.

OakNorth's financial success has been reflected in the recognition and accolades it has received from the broader industry this year, including:

- Being named in the FT 1000, a list compiled by the Financial Times of the 1000 fastest-growing businesses in Europe, for the third time since 2020;
- Being ranked in the top 1% of banks globally in terms of highest return on assets (ROA) ratio in the Banker's Top 1000 World Banks ranking, for the third year in a row;
- Being awarded **Business Lender of the Year** at the 2023 MoneyAge National Credit Awards;
- Receiving the **Financial Wellness award** at The Banker's Innovation in Digital Banking Awards 2023; and
- Being awarded **Credit Team of the Year** for the second time in three years at the 2023 MoneyAge National Credit Awards.

Helping savers become savings champions

Throughout 2023, OakNorth continued to have a strong focus on the needs of its savings customers. Given the ongoing cost-of-living crisis, it is essential that savers make their money work harder for them. Over the last 12 months, OakNorth continued to offer some of the most competitive rates in the market, passing on the benefits of higher interest rates to its customers across a range of easy access, notice, fixed-term, and easy access and fixed-term cash ISA products. OakNorth continued to invest in improving the user experience (UX) and user interface (UI) of its products, giving its online banking portal a visual uplift to improve functionality and enable savers to view all their accounts on a new dashboard. These efforts saw it reach over 254,000 deposit customers and almost 9,000 Trustpilot reviews increasing to an average rating of 4.8/5 stars from 4.6/5 stars in the prior year.

Farewell

It has been a tremendous privilege to serve as OakNorth's Chairman for the last eight and a half years. The Bank has grown to become one of the great success stories in the UK's fintech sector. During this period, OakNorth has grown its presence from its two offices in London and Manchester with no customers, to a leader in lending to SMEs with teams across eight major cities in the UK. It has lent over £10 billion across a variety of sectors and attracted hundreds of thousands of deposit customers. It has directly supported the creation of tens of thousands of news jobs, the growth of a broad array of businesses, and the construction of much needed new affordable and social homes across Britain.

This has without doubt been the most unique and gratifying experience of my 50-year career. I am very grateful to Rishi and Joel for their visionary leadership and the exceptional team they have assembled. My special thanks go to my fellow Board members for their support and wise counsel.

OakNorth is very privileged to have as its new Chairman Lord Adair Turner. He brings decades of experience across financial services, bank regulation, and climate. Under his leadership and vision, the Bank is in an excellent position to move into the next stage of its growth and success.

Cyrus Ardalan
CHAIRMAN
31st December 2023

CHIEF EXECUTIVE'S REVIEW

A JOURNEY 20+ YEARS IN THE MAKING

OakNorth launched in 2015, but our story goes back over twenty years. So much of what Joel and I learned scaling our previous data and analytics business, Copal, between 2002 and 2014 went into the creation of OakNorth. Notably, around half of our 3,000 employees at Copal were focused on credit analytics, giving us a really strong foundation with substantial credit muscle for the fintech we would later build. Our experience of applying for capital for Copal in 2005 was equally formative. Negative as it was, it has proven invaluable. As we tried to secure a loan to support our growth, we experienced first-hand the ways in which scale-up businesses are overlooked and underserved when it comes to their banking.

This is why we founded OakNorth - to transform how entrepreneurs grow their businesses by providing them with access to much-needed credit and other banking services from a partner who understands their business. We started by thinking about the needs of these firms, and how we could leverage the data and analytics capabilities we built over 12 years of scaling Copal, to apply larger company lending approaches to smaller and mid-sized companies (£1m-£100m revenue). In doing so, we'd enable them to better serve their customers, employees, and the broader communities in which they operate, helping to create new jobs, build new homes, drive innovation, and increase GDP growth.

Rishi Khosla
CO-FOUNDER & CEO

Understanding the true value of scale-ups

Our research with the Social Market Foundation (SMF) this year across two reports - 'Full Scale' and 'The Scale of Opportunity' revealed that while scale-up businesses represent only 1% of all SMEs in the UK, they account for 8% of all SME employment and 22% of all SME turnover (a staggering £497 billion) – demonstrating their exceptional productivity. The numbers are similar in the US, where scale-ups represent just 3% of SMEs but account for over 25% of total SME turnover. Just think of the benefits for us all if we could 10X these numbers: If 1% became 10%, and 3% became 30%. Indeed, the c.£10.2 billion we've lent to businesses since our launch in September 2015, has directly helped with the creation of over 47,000 jobs and 29,000 new homes across the UK.

The SMF reports made clear recommendations to policy makers to facilitate the growth of our most ambitious businesses, fostering an environment that enables entrepreneurs to win. These included:

- Establishing a cross-governmental scale-ups unit, to co-ordinate policy and improve data on scale-up businesses;
- Revising immigration rules to attract top global talent and increase human capital for scale-ups;
- Reforming planning to facilitate business expansion; and,
- Creating a culture of ambition that champions winning businesses.

The importance of scale-ups to the functioning of economies and the prosperity of communities cannot be overstated. We must do everything we can to support entrepreneurs and their businesses in scaling up and maximising their contribution if we are to reinject life into the economy and turn things around from the challenging circumstances we are set to face for much of the year ahead.

Bringing value to the businesses we serve

In every sector, there are those who are winning - businesses that continue to defy the odds, adapt to thrive, and push on no matter what challenges come their way. Over the years, we've been fortunate to work with many of these businesses across a variety of sectors, from healthcare and specialist education to hospitality and leisure, and SME housebuilding.

We're able to do this because of our unique approach to looking at the business world - rather than splitting the economy into a dozen or so sectors, we've developed an analytical framework powered by hundreds of billions of dollars' worth of commercial loan data, covering over 270 industries. By looking at businesses through this lens, we're able to identify the winners, which is why our credit quality remains strong, and why the businesses we support continue going from strength to strength during their time with us.

The value of our offering to our customers is reflected in how they speak about us, and the fact that their success and growth is accelerated as a direct result of being an OakNorth customer.

Growing and growing up with our customers

As a fintech that has been profitable since its first year, some would argue that OakNorth has been a mature business for some time, but our bid for Silicon Valley Bank earlier this year felt like a true coming-of-age moment for the business. Although our bid was unsuccessful, the fact that we seized this opportunity – preparing to take on a bank with an asset base larger than ours – was a clear demonstration of how far we've come as an organisation, our enduring entrepreneurial mindset, and our embrace of innovation.

Over the last eight years, we have proven we are able to help entrepreneurs grow in new, bolder ways – through Brexit, COVID, and the current cost-of-living crisis, we have continued to grow and help our customers do the same. Recent years have been marked by a complex and uncertain geopolitical and economic environment, and the near-term outlook remains uncertain. However, as we did through Brexit, COVID, supply chain shortages and the current cost-of-living crisis and technical recession, we continue to support our customers though the ongoing economic challenges. We continue to innovate and push ourselves as an organisation, increasing our range of products and services, and expanding into new geographies.

In August, we published our inaugural TCFD report, setting ambitious net zero targets and laying the foundations to support our customers in transitioning to greener operations. As a business, we have been net zero for scope 1 and 2 emissions since 2019, and this year, pledged to reach net zero for scope 3 by 2035.

As announced in November, we are working directly with founders, CEOs, CFOs, and company Directors in a phased Beta launch of our business banking offering. Rather than overwhelming customers with a menu of products and services and leaving them to figure out a combination that may work for them, we are starting with their pain points and working backwards from there to help them find value and efficiencies. No computer-says-no decisions, as we understand that the needs of every business are different. We are thinking and operating in their terms – "launch a new location," "optimise my cash," and so on. Cross-functional teams are prioritising the real-life insight and data needed to build products and services with lasting value, not another option in a sea of apps. Businesses are being assigned an OakNorth Business Partner – someone they can call or email whenever they have a question, who understands their business, their strategic goals, and can provide tailored information on how OakNorth can support them.

This expansion of the products and services we offer scale-ups in the UK is a natural evolution from the lending support we've provided them for the last eight years – as is the expansion of our lending services to the US, where we know scale-ups need bespoke credit. In the latter half of 2023, we began lending to US businesses, completing c.$200 million by year end, and we intend to continue building on this in the months and years ahead.

We will continue developing our credit approach and methodology, supported by hundreds of billions of dollars of US and UK commercial lending data. This is one of the largest data sets available on private US companies and one that leading US banks, including PNC, M&T, Fifth Third and Old National, continue to leverage via our sister business, OakNorth Credit Intelligence (ONci). Over the past few years of multiple geopolitical and macroeconomic events, ONci's forward looking approach has enabled us to run granular macroeconomic stress tests as part of both our credit origination and portfolio monitoring processes, enabling us to predict and proactively manage risks in our loan book throughout the lending cycle.

A final note on our people

Throughout this letter, I have written at length about the role data, analytics, and technology has played in OakNorth's success, but a crucial component that underpins everything we do, is our people. It is they who forge the relationships with customers that keep them coming back. It is they who continue to push boundaries, challenge us, experiment, and iterate so we continue developing products that delight customers. It is our people whose commitment and belief in our mission enables us to continue building a robust business that can confidently grow and support customers through economic cycles.

After eight years, we are saying goodbye to a key person on our Board – Cyrus Ardalan – who we have had the privilege of having as our Chairman since our launch in 2015. We are extremely grateful to Cyrus for his dedication and leadership. He has been a guiding light helping to ensure we could continue to succeed and scale over the years – and helping our customers do the same. Lord Turner's appointment as our new Chairman on 1 January 2024 is an exciting milestone for the business. As we broaden our offering to customers with a wider range of business banking products, and work towards achieving ambitious net zero targets, Adair's experience across financial services, regulation, and climate will be invaluable.

There are many exciting new challenges and opportunities on the horizon for OakNorth. But for all that has changed since we launched eight years ago, there is one thing that never will - our commitment to helping entrepreneurs and their businesses succeed. Going into 2024, we are ever more determined to further our mission.

Rishi Khosla
CO-FOUNDER & CEO
22 March 2024

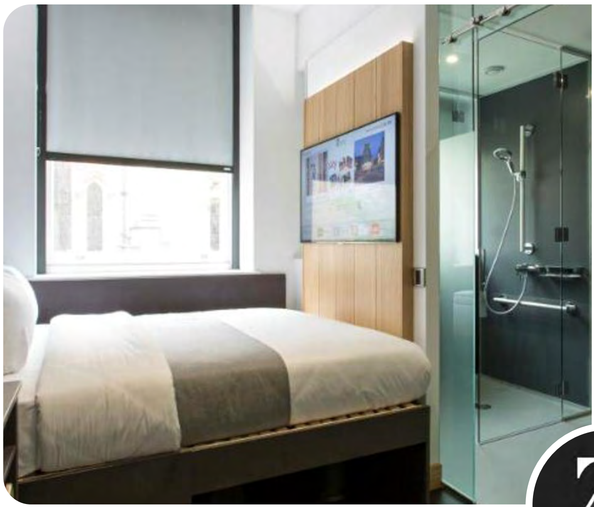
CUSTOMER STORIES

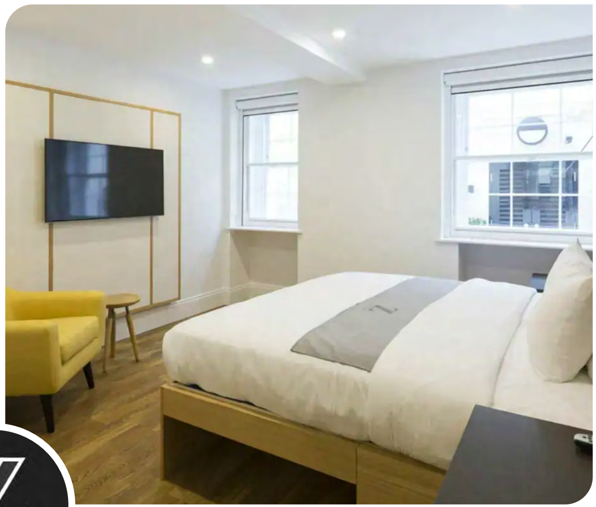
After six years of having OakNorth supporting us in our growth, we reached a natural parting of ways and explored financing with other partners, albeit keeping the door with OakNorth very much open. We're glad we did as we returned to them once again this year to provide us with the capital we need to grow. There are many reasons why we decided to come back to OakNorth – the team, the speed, the transparency, the commercial acumen, the fact that they really understand our business and sector, and crucially as we found throughout the COVID pandemic, that we can trust they will remain a consistent funding partner come rain or shine."

Mark Grunnell
Co-founder and CEO of Red Oak Taverns

In September 2021, supported with capital from OakNorth, we bought out our investors, turning Deliciously Ella back into a family business. Taking out a loan from a bank is undoubtably daunting and comes with a lot of personal risk, but we felt it was the right decision and have been delighted with the experience we've had with OakNorth. In the years since, the business has continued thriving - our products are now stocked in every major supermarket chain in the country, our London restaurant is doing very well, we've just published our seventh cookbook, and have recently purchased a factory to bring manufacturing in-house, bringing the total Deliciously Ella team to 100 people."

Ella Mills
Founder of Deliciously Ella





HOTELS

"As the Z Hotel brand continues to grow in both scale and success, our pool of funding options has also grown. Despite this, we've continued to return to OakNorth for our structured debt solutions, largely due to the certainty of execution the team provides, as well as the unmatched sector knowledge they have compared to other lenders we've dealt with previously. The challenging times of both the pandemic and the inflation crisis only made our relationship with OakNorth stronger, as we've seen other lenders in the market do the complete opposite to OakNorth, and stop supporting UK hoteliers such as us, altogether."

Bev King
Co-founder and CEO of Z Hotels

STRATEGIC REPORT

The Directors present their Strategic Report for OakNorth Bank plc for the year ended 31 December 2023.

Our strategy and business model and performance overview

OakNorth Bank plc (herein referred to as 'OakNorth', 'OakNorth Bank', 'the Bank' or 'the Company') is a founder-led business that is on a mission to empower the 'Missing Middle' since its inception in September 2015. We work to serve and empower small-to-medium sized businesses that are seeking to scale. We provide these fast-growing and ambitious businesses with the fast, flexible debt finance (loans of £1 million up to tens of millions) they need to scale, while also helping savers make their money go further via our award-winning savings platform.

Our core lending products fall into two categories:

- **Cash-flow based business** trading loans to businesses, typically for growth, working capital, M&A, management buy-outs, etc; and
- **Property Finance,** which includes finance of property development, refurbishment, and property investment.

Through these products, we support businesses in a diverse and carefully selected range of market sub-segments. We take a very granular approach in evaluating credits and monitoring these sub-segments on an ongoing basis through sophisticated stress testing.

In 2023, we continued to support the UK's Missing Middle, providing over £1.7 billion of gross new lending facilities during the year whilst maintaining a cautious approach to lending. The total drawn loan book increased to £3.8 billion as at 31 December 2023, from £3.2 billion as at 31 December 2022, whilst total facilities lent grew to £5.3 billion as at 31 December 2023 (2022: £4.6 billion).

During 2023, we entered the US market on a pilot basis, leveraging our unique analytics-based approach and as at 31 December 2023, we had originated £0.2 billion of facilities. The credit quality of this book is strong, with senior secured positions and less than 45% average LTV. Combined with margins meeting our thresholds we now have the confidence to expand into the US during 2024 and beyond. In this context, we have now applied for permission to set up a representative office and are evaluating M&A opportunities in the US.

For our deposit customers in the UK, OakNorth has built an award-winning savings platform to offer customer-friendly, flexible saving products designed to meet the varied needs of the consumers. We offer digital-only, non-complex and Financial Services Compensation Scheme (FSCS) protected deposit products. In 2023 we achieved Trustpilot rating of 4.8/5 stars and Net Promoter Score (NPS) of over 70. With our strong customer-led proposition, our UK deposit book grew to £4.6 billion as at 31 December 2023, from £3.6 billion as at 31 December 2022. Over 94% of our deposits continue to be protected under the FSCS scheme, similar to the prior year.

Throughout the year our capital and liquidity position remained strong. The Risk weighted assets (RWA) increased broadly in line with the growth in the balance sheet. Our ability to grow the loan book at 22% without raising incremental external capital is an incredible source of strength for the Bank.

During 2023, the operating income grew by 34% to £296.8 million driven by improvement in the net interest margin. Our subsidiary - ASK Partners' business performance continued to be strong. The subsidiary contributed to £2.1 million of post-tax income after deducting non-controlling interests.

Expected credit losses (ECL) provisions charge for the year increased to £25.1 million compared to £10.8 million in the prior year, reflecting both the growth in the loan book as well as the impact of deterioration in the economic environment due to high interest rates, high inflation and slowdown in the economic activity.

Increased investments into product and tech functions resulted in the efficiency ratio marginally increased to 28% in 2023 (2022: 26%). A large part of this spend was associated with building new capabilities to provide an ecosystem of digital services to the Missing Middle. OakNorth operates with a tech-first mindset. We focus on implementing technologies and automated workflows to enhance customer journey and experience, improve operational efficiencies and resilience, build scalability, and maintain the highest standards of risk management controls. We set the industry standards by becoming the first bank in the UK to establish its core banking infrastructure in the cloud. We continue to make significant investments in our technology platforms to continually enhance customer and user experience and launch new products and services.

Business and economic outlook

2023 was marked with significant and continuing global political and economic challenges. Inflationary pressures and cost-of-living crisis continued to persist, leading central banks in the UK and globally across the developed world, continue monetary policy tightening measures and increasing central bank rates further into 2023. The central bank rate in the UK has increased at an unprecedented level and pace, with increases implemented 14 times within the past 20 months and reaching 525 bps by August 2023- levels not seen since 2007/2008. The UK economy suffered from low growth in 2023 and the cost of living crisis continues to impact households and businesses.

The UK economic outlook going into 2024 remains challenging with continued economic headwinds, despite general expectations of improvements in the coming year. Uncertainty remains in relation to any further fiscal and monetary policy actions by the UK government and central bank. The quality of our loan portfolio continues to be resilient given both the conservative net leverage measures, collateral coverage we have in place and the Forward Looking Rating (FLR) approach that we use to proactively manage risks in our loan book. The net leverage cover is 1.28x on our cash-flow based business trading loan book (non-collateralised) and on our collateralised loan book, the average Loan to Value (LTV) is 52%, with 94% of our loan book collateralised.

The events of the past years have put to the test our business model and our approach to lending. The predictive capabilities of ON Credit Intelligence have meant we have continued lending and supporting the Missing Middle, with robust credit criteria to reflect the challenges. Our data and analytics capabilities enable us to build a granular, forward-looking view of risk and, coupled with our strong capital and liquidity position, we are looking ahead to continue innovating and supporting ambitious entrepreneurs by pushing ourselves as an organisation, increasing our range of products and services, and expanding into new geographies. We will continue to closely monitor the impact of the developments in the global economy, as well as fiscal and monetary policy changes, so that we are well-positioned to continue supporting customers in the years ahead.

Amidst the complex geopolitical and geoeconomic backdrop, climate change continues to remain a critical global issue. We continue to support the UK's commitments to net zero and have set ambitious goals for ourselves to meet the targets and laying the foundations to support our customers in transitioning to greener operations.

Our strong risk management capability and practices across all areas of risk, including but not limited to -credit, capital, liquidity, interest rate, cyber- have enabled us to grow safely. We continue to maintain high quality surplus liquidity resources held in the form of cash deposits with the Bank of England (BoE)and high quality surplus Common Equity Tier 1 capital resources, that support our growth ambitions and enable us to withstand severe stresses.

We will continue to make significant investments in technology to build upon our fast, data-driven, relationship-led foundations to unlock scalable ways of delivering customer value end-to-end powered by – rather than led by – solutions-oriented financial products. We will continue to develop end-to-end digital journeys that are hyper customer focused and continue to enable material efficiencies across the Bank and all our products and services.

Our values, vision, and culture

OakNorth has a set of values that help guide the way it works and keep it accountable and on the right path towards its mission. Our leadership team and the Board take the lead in establishing a strong risk management culture and are committed to living the firm's values and setting the tone for the culture of the organisation.

The six values of OakNorth

10X
Better is good, ten times better is great. We set ambitious goals and work to deliver outsized results.

One team
We work together to achieve our goals, whether it's across teams, countries, departments, or people in a room.

Momentum
We're go-getters so we take decisive action, at pace. It helps us turn dreams into accomplishments.

Right ambition
Success is better shared. We channel the right ambition as individuals to meet our collective goals.

Zero base
If it isn't working, we start from scratch to produce the best solutions for customers and colleagues.

Customer delight
Our customers drive everything we do. We go beyond satisfaction to deliver delight at every opportunity.

Conducting business in a sustainable way

Acting sustainably and responsibly goes together with OakNorth's mission. Entrepreneurs, SMEs, and fast-growth businesses of the UK are the cornerstone of our economy, and by placing environmental and social considerations at the heart of our business model, we directly support UK's innovators, challengers, and future leaders to respond to society's most pressing needs.

We continue to reinforce the positive impact that growth businesses have on communities and economies globally by supporting charitable causes and socially driven enterprises through our 1% + 1% initiative and by continuing to develop and deliver on our environmental programs and commitments.

We have set ourselves the ambitious target of achieving net zero by 2035 as our climate commitment. In 2019 we offset and reduced our Scope 1 and 2 emissions to net zero, and we continue to make progress on reducing our Scope 3 emissions, including both supplier and financed emissions. This is only one objective out of the many we are undertaking to shape a truly environmentally sustainable business model, working with our borrowers, employees, wider industry, and other stakeholders. We will build on the progress we have made and the actions we have taken in 2024. Further details are provided in our "Environmental, social and governance review".

2023 Financial Review - A year of continued strong financial performance

Key metrics (Unaudited)	2023	2022	Year-on-year variance
Loan book volume and credit measures as at 31 December			
Total Facilities (£mn)[a]	5,256	4,598	14%
Loans and advances to customers (£mn)[b]	3,848	3,151	22%
% of loans collateralised[c]	94%	94%	-
Net leverage on cash-flow based business trading loans (non-collateralised)[d]	1.28x	1.29x	(0.01x)
% LTV of property backed loans[e]	52%	52%	-
ECL allowance coverage (%)[f]	0.8%	0.7%	0.1%
Key performance measures[g] for the year ended			
Profit before tax (£mn)	187.3	152.3	23%
Net Interest Margin (%)[h]	8.4%	7.3%	1.1%
Efficiency ratio (%)[i]	28%	26%	2%
Return on required equity (%)[j]	22%	26%	(4%)
Capital, leverage, and liquidity measures as at 31 December			
Total capital ratio (%)[k]	19.3%	20.1%	(0.8%)
Common equity Tier 1 ratio (%)[l]	18.6%	18.7%	(0.1%)
Leverage Ratio (%)[m]	14.0%	14.5%	(0.5%)
High-quality liquid assets (£mn)[n]	1,669	1,236	35%
Customer 'fly-wheel' effect measures for the year ended (Non-financial metrics)			
New lending originated via referrals or by OakNorth directly[o]	>80%	>80%	-
New lending to existing customers[p]	>30%	>20%	-

[a] Includes all facilities (committed and uncommitted).

[b] Gross loan balances outstanding.

[c] Total (committed and uncommitted) facility amount of collateral backed loans as a percentage of total (committed and uncommitted) facility amounts in the loan book.

[d] Borrower leverage on cash flow based business trading where leverage covenant is tested.

[e] Total (committed and uncommitted) facility amount of property backed loans as a percentage of the value of the underlying collateral.

[f] On balance sheet expected credit loss (ECL) allowance as a percentage of gross loans outstanding.

[g] These metrics are profitability, cost efficiency and return on equity measures. These stated on a consolidated basis for OakNorth Bank and its subsidiary ASK Partners.

[h] All net interest income and fees for Bank, including proportionate share of ASK Partners, stated as a percentage of average loan balances.

[i] Operating expenses expressed as a percentage of operating income.

[j] Net income expressed as a percentage of regulatory equity capital required (total regulatory capital requirement less Tier 2 capital).

[k] Regulatory capital expressed as a percentage of risk weighted assets. Details are available as part of separately published Pillar 3 disclosures. The ratios are presented for OakNorth Bank only as ASK Partners was not subject to regulatory consolidation in 2023.

[l] Regulatory common equity Tier 1 capital expressed as a percentage of risk weighted assets. Details are available as part of separately published Pillar 3 disclosures. The ratios are presented for OakNorth Bank only as ASK Partners was not subject to regulatory consolidation in 2023.

[m] Regulatory Tier 1 capital expressed as a percentage of balance sheet and off-balance sheet exposures as measured under EBA guidelines. Details are available as part of separately published Pillar 3 disclosures. The ratios are presented for OakNorth Bank only as ASK Partners was not subject to regulatory consolidation in 2023.

[n] Unencumbered cash balances held at Bank of England, unencumbered Gilts and balances held in short term USD money market funds. The information is presented for OakNorth Bank only as ASK Partners was not subject to regulatory consolidation in 2023.

[o] New lending facilities extended during the year which have not been originated via introducers intermediaries where we may pay referral or introducer fees.

[p] New lending facilities extended to existing customers during the year. This metric is restated to exclude referrals by existing customers. New lending to existing customers and via referrals by existing customers remains >40% for both 2022 and 2023 as published in the prior years.

Technology and operational resilience

Throughout the year, our cloud-based tech and cyber-security infrastructure proved robust and resilient, and systems and processes continued to perform well. There were no material system downtimes, operational incidents, or cybersecurity breaches during the year. We continued to invest in several tech-led new product initiatives, building a new data infrastructure, enhancing customer journey and experience through increased digitisation, and improving operating efficiencies. We selectively rolled out transaction banking products which included current accounts and interest-bearing savings accounts to our customers as we continue to obtain feedback and evolve our product offering.

Risk management framework and Risk review

OakNorth is exposed to a wide range of risks through its banking operations, including credit, cybersecurity, operational, liquidity, capital, interest rate, people, climate, regulatory and compliance. OakNorth's Principal Risks and uncertainties are identified, and mitigating action taken by the ExCo, overseen by the Executive Risk Committee and the Board Risk & Compliance Committee.

At OakNorth we have built a proportionate and robust Risk Management Framework (RMF) that is designed to ensure that the key risks facing OakNorth are identified, measured, monitored, and managed, and that appropriate policies, procedures and controls are established such that each risk is mitigated to an acceptable degree. Our enterprise-wide Risk Management Framework as agreed by the Board is set in compliance with relevant legislation.

Our strategy is set within a detailed Risk Appetite Statement which sets out the type and quantum of risk we are prepared to accept to achieve our strategic business objectives. The Risk Appetite Statement ('RAS') is carried through into OakNorth's suite of Policies, and from the Policies into the Procedures (Standard Operating Procedures or 'SOPs') used by OakNorth staff. Detailed policies and frameworks approved by the Board and Board committees define the governance framework that ensures OakNorth's activities are consistent with the risk appetite approved by the Board. Central to the operational risk management is a Risk & Controls Self-Assessment ("RCSA") framework; a risk management tool whereby risks and controls are documented and assessed process by process, to provide assurance to management that controls are adequate and effective. First line Business Assurance Testing and second line Assurance Testing is undertaken regularly.

Credit risk is one of the most significant risks faced by OakNorth given its business model's emphasis on lending. OakNorth has a Credit Risk Management Framework (CRMF) that includes establishing and monitoring credit policies and procedures, credit and concentration risk appetite limits and key risk indicators, credit risk decisioning process including delegated authorities, portfolio performance and management, risk rating frameworks, risk-weighted assets approach, portfolio provisioning and stress testing framework, and climate risk assessment and management within the loan book.

At OakNorth we take a data led and forward-looking view when risk-assessing potential and existing clients. Risk assessment is undertaken to fully understand the client's business, sector, financial capacity, and key risks of any transaction. The output is reviewed in line with OakNorth lending policy. Risk assessment is enhanced using OakNorth's FLR tool. Throughout the year, pursuant to ongoing economic challenges and outlook, we focused on ongoing stress testing of the loan book via the FLR tool. This tool is used to not only assess the impact of known risks, but more importantly to form a view of the potential impact of emerging risks. FLR is updated monthly and applied to our existing borrower portfolio to seek out any emerging trends or specific cases of potential concern.

The Bank's Reserve Adequacy Committee (RAC), which operates as a working group under the mandate from the Board Audit Committee and its membership includes Head of Credit Risk, Chief Financial Officer, and Chief Risk Officer. The committee is responsible for the review and confirmation of adequacy of provision calculations, oversight of the staging approach applied, review and confirmation of scenarios and weightings, assessing appropriateness of any provision overlays and exceptions, reviewing model accuracy related matters including back-testing, model effectiveness and ensuring IFRS 9 provisions and overlays approach are consistent with the Provisions policy.

In relation to climate risk, we continue to develop and enhance our approach. We have defined risk appetite metrics and statements in relation to climate, for example by limiting or restricting our exposure to carbon intensive sectors and higher climate risk businesses. We have granular, sector-specific scenario analysis of the possible impact of climate risk on our borrowers and therefore our capital requirements, which includes specific sector transition pathways in our modelling. FLR forecasts are used to assess how a low-carbon policy and technological transition towards mitigating climate change could impact the loan book.

To manage our capital risks, our capital risk appetite statement and framework are designed to ensure that the Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements for its ongoing growth projections, even in periods of stress. "Stress testing" is conducted as part of ICAAP to determine whether any additional capital may be required to be held over and above the Total Capital Requirement ("TCR") plus regulatory buffers. On an ongoing basis, we monitor capital adequacy considering the forecast volume of growth in the loan book. As at 31 December 2023, OakNorth Bank had a total capital ratio of 19.3% (2022: 20.1%) and CET1 ratio of 18.6% (2022: 18.7%) and we continued to hold surplus over the regulatory requirements.

For liquidity risk management, we maintain a prudent approach to managing liquidity ensuring we hold sufficient high quality liquid assets and liquidity buffers to meet financial and regulatory commitments over an extended period in line with the Board's risk appetite and the PRA ILAA requirements, both of which are detailed in the Bank's ILAAP document. As part of the ILAAP, the liquidity stress testing process evaluates the levels of outflows and the adequacy of liquidity resources available under 'severe but plausible' potential stress scenarios, which are based on the key risks in the business (idiosyncratic risks) and the macro environment. The main liquidity risk faced by OakNorth is that of a retail deposit funding stress such that retail deposits may be withdrawn by customers at their earliest contractual maturity. As at 31 December 2023, over 94% of our deposit balances continued to be protected under the Financial Services Compensation Scheme (FSCS). As at 31 December 2023, OakNorth's unencumbered high quality liquid assets included £1,637.3 million of cash at BoE reserve account (2022: £1,235.7 million) and £31.8 million held in short term highly liquid USD money market funds (2022: nil). Throughout the year, OakNorth complied with all the regulatory liquidity measures and continued to maintain surplus over the requirements. The average LCR during the year was 365% (2022: 383%) and the NSFR was 161% (2022: 154%).

In relation to interest rate risk management, OakNorth's business model and pricing of assets and liabilities is structured to deliver a natural hedging outcome in most circumstances and to manage any residual risks we use interest rate swaps. In 2023, developments in business activities and markets have led to changes in our IRRBB metrics. We have started lending in the US, primarily funded with cross currency swaps, introducing cross currency basis risk – the risk is assessed as immaterial. During 2023, the IRRB metrics have remained within OakNorth's risk appetite limits.

Operational risk management encompasses a number of different areas within the Bank. We have a defined Operational Risk policy and a framework of risk mitigation processes. Appropriate risk limits and their thresholds and early warning indicators are set, and the key processes are reviewed for effectiveness through first line and second line assurance testing at a frequency determined using a risk-based approach. The Bank has a Business Continuity & Crisis Management Plan (BCP) in place that establishes systems of prevention and recovery to deal with potential threats. A Business Impact Analysis (BIA) is conducted annually to identify and quantify the operational and financial impact from foreseen crisis events. We have set a low-risk appetite for any operational loss and have not had any material losses till date.

In relation to management of conduct, compliance, and financial crime risks, the Bank has an independent and specialist second line Financial Crime and Compliance function, providing advice and guidance and a continuous programme of assurance through structured monitoring plans, delivered on a risk-based approach. We have no appetite for any breach of law, regulation, code or standard of conduct or compliance.

Cyber risk is managed through robust cyber risk management programme. We leverage robust cloud services and advanced cybersecurity solutions to support a resilient IT infrastructure. We deploy a 'Defence in Depth' approach (including firewalls, VPNs, encryption, and robust monitoring tools), and combined with our in-house 24/7 Security Operations Center (SOC) and regular independent penetration testing processes, we test and validate our multi-layered defense setup. We adhere to the National Institute of Standards and Technology (NIST) Risk Management Framework (RMF) and conduct regular cybersecurity maturity assessments against the Bank of England's Cyber Resilience Questionnaire (CQUEST) self-assessment co-developed by the PRA and FCA, and the NIST framework.

Detailed information on the RMF and review of key risks is provided in our "Risk Management" report from page 45 to 64.

Section 172 statement

Board engagement and consideration of stakeholder interests in the board's decision-making processes

In overseeing delivery of OakNorth Bank's strategy, the Directors are mindful of their duties under the Companies Act 2006, including as set out in section 172.

The Board's principal duty is to create and deliver a sustainable business model by setting OakNorth's strategy and overseeing its implementation. It does so with regard to the interests of investors, customers, communities, employees, the environment, regulators, and suppliers- that are the key stakeholders.

How the Board considers and monitors the interests of the key stakeholders

The Board considers, reviews, and provides robust and independent challenge to the reports and management information that it receives from the Executive Committee (ExCo), ensuring that impact on OakNorth's operations as well as impact on the interests of the key stakeholders is fully understood. The Board monitors the progress in the delivery of strategic initiatives through information packs and reports, enterprise-wide risk assessments and monitoring metrics it receives on a regular basis from all areas across OakNorth. Deep dive sessions are additionally held on critical agenda items to support deeper engagement.

The Board sets clear expectations of conduct to the Executive Committees of OakNorth. These are formally captured in our mission, vision, and our Objectives and Key Results (OKRs) framework. The OKRs set out our annual and quarterly priorities, connected to our vision, mission, and commercial plan, and cascade across teams and individuals.

During the year, the Board noted the enhancements to the content and presentation of information they received, to ensure that they have appropriate information to allow them to take informed decisions.

Directors' key engagements with stakeholders

The following sections detail how the Board considered and monitored the interests of the key stakeholders, how it engaged with key stakeholders and, outline any material decisions that were taken by the Board.

Investors

The Board continued to monitor the health and performance of the loan book by reviewing the portfolio performance metrics, capital and liquidity position, stress testing outcomes and ongoing review of the business and economic environment. The Board approved the plans for, and maintained close oversight on, acquisition activities, new product launches, expansion in new markets, change management and associated governance procedures with these initiatives.

The Executive Board maintained continuous engagement with the investors throughout the year, updating them on the financial results and discussing key strategic initiatives and actions.

During the year, the Board approved enhancements to the risk appetite framework and associated policies, ensuring these were aligned to OakNorth's strategic objectives, business and growth strategy, the evolving macroeconomic environment, regulatory frameworks and consistent with our risk-aware culture. Building on from the prior year, the Board noted the ongoing enhancements to the liquidity, capital, FX and interest rate risk management frameworks and tools.

The Board reviewed, challenged, and approved the strategic plan, which was updated factoring the ongoing challenges of the macroeconomic environment and significant ongoing product and market expansion initiatives and investment requirements, to ensure we deliver sustainable business growth to the investors. The Board reviewed, challenged, and approved the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP), ensuring that OakNorth had adequate liquidity to survive under multiple severe stress scenarios.

The Board held 'deep-dive' sessions across several initiatives focussing on business strategy, acquisitions, market expansion, technology, governance, scalability, operational effectiveness, and resilience, cybersecurity, and climate risks.

The Board maintained close oversight over the new business growth and the credit quality and performance of the loan book and, under the ongoing challenging macroeconomic environment. They reviewed the updates on Forward Looking Rating (FLR) approach and scenarios and the outcomes of stress tests on the loan book. The Board also reviewed OakNorth's internally developed new credit loss models. The Board approved the updates to OakNorth's credit and concentration risk appetite metrics and limits and approved the enhancements to several credit policies.

The Board approved the Bank's Tier 2 capital issuance, profit verification initiatives and the dividend policy. They made no recommendations for any dividend payments for the year and the profit generated by OakNorth continued to be reinvested in its operations.

Employees

During the year the Board reviewed outcomes of various staff surveys, whistleblowing reports, employee engagement feedback on various matters.

The Executive Board maintained continuous employee engagement and communication via OakNorth's weekly 'all-party' calls. In these calls, we bring together OakNorth employees across the group to keep them updated on what is happening across OakNorth as well as giving them a platform to ask questions. OakNorth's Non-Executive Directors and members of the Advisory Board also occasionally join these calls to provide updates.

The Board received updates on organisational culture and risk culture and continued to monitor enhancements to the conduct dashboard. The Board noted the ongoing work on employee engagement, employee benefits, talent, and scalability under the multiple ongoing strategic growth initiatives.

The Board continued to monitor reports on robustness of the operational, tech and Cyber risk management infrastructure to ensure all teams across OakNorth were supported appropriately and were able to continue working in a hybrid work environment.

Customers

The Board monitored OakNorth's engagement with customers through regular reports it received on customer surveys and data on customer complaints. The Executive Board maintained engagement with the lending customers via customer events and invited some of the customers to share their experiences and recommendations in OakNorth's all-party calls. The Board continued to monitor progress under OakNorth's operational resilience programme which sets impact tolerances for important business services.

The Board continued to support OakNorth's strategy of investing in technology to continually improve customer experience, enhance operational resilience and support in maintaining the highest standards of risk management and controls. As part of the approval of OakNorth's strategic plan, the Board approved initiatives to deliver an integrated proposition to our customers. This included the development and launch of transaction banking services to our customers.

The FCA's Consumer Duty rules were implemented in OakNorth during 2023, led by Ted Berk as the Board champion. The progress on the implementation plan was monitored throughout by the Board and was also overseen by second line and third line. The Board continues to maintain high focus on embedding of the considerations throughout all matters and decisions impacting our customers (or potential customers). OakNorth continues to enhance and embed the rules in its policies and procedures in relation to customer communications, complaints handing, product design and governance, monitoring, testing, and reporting.

Suppliers

The Board received regular reports and updates on supplier matters from the supplier management team. The Executive Board maintained regular engagement with some of OakNorth's key suppliers directly throughout the year. We have a robust supplier management policy in place, which serves to actively manage relationships with and the performance of all our service providers. Some of our suppliers are key to the success of our operations. This includes support provided by other entities within the OakNorth group. As a philosophy, OakNorth promotes a culture of 'One Team' across the whole group.

Our dedicated in-life supplier management function continued to deliver on improving third-party risk management practices and vendor engagement. The team also manages relationships for long-term partner value and drives a consistent approach and governance across our vendors.

The Board also renewed the approval of material outsourcing providers and supplier management frameworks and policies.

Regulators

The Board and the Executive Committee (ExCo) continued to maintain an open and cooperative engagement with OakNorth's regulators. Throughout the year, the ExCo and the Board engaged proactively with the regulators ensuring that they were updated on the strategic initiatives and pilots, business and operational performance and any material risks. The Board reviewed dashboards to ensure that all regulatory requirements were identified, tracked, and acted upon by OakNorth on an ongoing basis and that regulatory issues were fully considered throughout OakNorth's operations.

OakNorth continued to contribute to consultations on important areas of regulatory policy (e.g. Basel 3.1) to ensure future regulation is proportionate and risk-based and, considered both financial stability and competition issues.

Communities and the environment

The Board continued to monitor OakNorth's progress on its climate initiatives and commitments through the year. The Board reviewed enhancements across several areas including embedding of climate risk within our overall risk management framework, enhancements to the measurement of emissions including embodied carbon, setting of interim targets and engagement with customers and suppliers and incorporation of a specific climate risk questionnaire and scorecard for our lending customers. The Board reviewed the outcome of climate stress tests on OakNorth's loan book and Board approved OakNorth's first full Task Force on Climate related Financial Disclosures (TCFD) report which was published during the year.

The Board engaged with industry leaders to discuss climate initiatives, risks, and opportunities for commercial lenders. The Executive Board contributed to several cross industry forums during the year to discuss opportunities to support and drive the UK's net zero ambitions through finance and policy.

The Board reviewed progress updates provided by the ExCo on several community initiatives of OakNorth including the 'Mentorpreneurship' Programme, and engagement of our teams in several pro bono, fundraising, volunteering, and mentoring initiatives throughout the year, supporting several charities and institutions around the world.

The Board maintained oversight of the policies and updates in relation to anti-bribery and corruption, financial crime, conduct and compliance and human rights and modern slavery.

ENVIRONMENT, SOCIAL AND GOVERNANCE REVIEW

ENVIRONMENT, SOCIAL, & GOVERNANCE REVIEW

At OakNorth, we understand that business does not happen in a vacuum. We work with our clients in order to drive meaningful, positive impacts in the communities where they operate. Sustainability is a key component of this. We and our clients are responsible for the wellbeing of our environment, and we acknowledge that responsibility in our efforts to lend more sustainably, to support our clients' net zero transitions, and the various measures we have put in place to operate in a more environmentally friendly way as a business. Helping our clients succeed in the future depends on there being a healthy world in which they can succeed. OakNorth is determined to show that both are possible.

Environment

Climate change is one of, if not the, defining challenges of our modern era. It is imperative that at all levels of society, action is taken to steer humanity towards a more sustainable future. It is especially incumbent upon businesses, including banks, who are responsible for numerous different groups of people in the transition to net zero: their customers, their employees, and their communities, to name just a few. They have a duty to take accountability for their own impact on the environment, to help their customers manage risks, and to make them aware of opportunities in the economy that arise from the transition.

OakNorth is in the unique position of being able to use our technology and data analytics capabilities to directly support entrepreneurs and scaling businesses who are showing the way with sustainable innovations and business models. Our granular, forward-looking approach to lending also means that we can help our existing customers to navigate the green transition and to thrive in spite of whatever comes.

We have set ourselves the ambitious target of achieving net zero by 2035. In 2019 we offset and reduced our Scope 1 and 2 emissions to net zero, and we continue to make progress on reducing our Scope 3 emissions, as we outline below. This is only one objective out of the many we are undertaking to shape a truly environmentally sustainable business model, working with our borrowers, employees, wider industry and other stakeholders. We will build on the progress we have made and the actions we have taken in 2024.

It is for this reason that OakNorth is grateful to have recently welcomed Lord Turner to its board. Lord Turner brings his extensive experience in the financial sector and as a leader on climate-related issues to our bank, having served as the first Chair of the Committee on Climate Change. He is currently Chair of the Energy Transitions Commission. It is a privilege to be able to benefit from Lord Turner's counsel as we seek to hit our 2035 target and support our clients in their own net zero journeys, and we are excited to work with him.

3 STRATEGIC PILLARS ON CLIMATE

Reducing our emissions

Targeting net zero by 2035 for all our Scope 1, 2 and 3 emissions, including our operations and that of businesses we finance, with ambitious interim targets and ongoing enhancements and refinements to measuring and calculating our emissions.

Supporting the transition to a low-carbon economy

Maximising our impact by engaging with our customers and suppliers on climate and decarbonisation, advocating the merits of achieving net zero and supporting them with education, tools, and resources to assist them in their transition.

Integrating climate into our strategy in our business model

Ensuring the prosperity and resilience of our business while maximising our effectiveness through climate conscious lending decisions, embedding climate considerations across our risk management, and fostering climate engagement with advocacy and training.

Since publishing our inaugural TCFD report in 2023, we have already made progress on the short-term goals we set out. For example, as part of our ongoing efforts to tackle our Scope 3 emissions, we have enhanced these to include embodied carbon. Our aim is to prioritise the reduction of all our emissions as much as possible, only then utilising carbon removal credits to reduce residual emissions and arrive at net zero. Our board has agreed our credit risk appetite metrics on climate, after we set out to refine and track these in our TCFD report. We have also engaged with our internal team and external stakeholders to achieve our short-term targets, undertaking firm-wide climate training, and implementing a supplier sustainability engagement plan and procurement policy.

In the medium term, we will endeavour to achieve our goal of having 75% of our business trading customers adopting a net zero target by 2030. We will also continue working to ensure all new property financing deals have a path to, at minimum, an EPC B rating in the same timeframe. We are already implementing measures to help ourselves make tangible progress towards these targets in the coming year, and beyond.

Our commitment to net zero is holistic – we are not allowing parts of our business to be exempt, in ways that would undermine our own net zero ambitions. This remains true as we broaden our customer product offerings. This is why we are ensuring that new business initiatives such as OakNorth's recently launched transaction banking offering are captured within our pre-existing 2035 target. We are also evaluating how we can keep the carbon impact of these activities to a minimum from the outset of their development.

TARGETING NET ZERO BY 2035

As young, digitally led lender unconstrained by the age and complexity of many other commercial bank's business models and having never lent to businesses directly enagaged in fossil fuel production, we feel it is our duty to be ambitious in targeting net zero. That's why we've set ourselves a target of 2035 to achieve this, encompassing all our Scope 1, 2 and 3 emission including those that we finance.

Our aim is to prioritise the reduction of all our emission as much as possible, only then utilising carbon removal credits to eliminate residual emissions and arrive to net zero. The milestones and interim steps we set out in this document on our journey to net zero include:

Maintaining carbon neutrality for Scope 1 & 2 emissions

We were one of the first banks to achieve this by reducing emissions and the use of carbon offset credits back in 2019, a status we have maintained ever since

Targeting net zero supply chain by 2028

Aiming to reach net zero for all Scope 1 , 2, & 3 emissions of our UK supply chain, including purchased goods and services by 2028

Targeting a 60% reduction in financed emissions by 2030

Our target is to have reduced 60% of the Scope 3 financed emissions from our loan book by 2030, down from a 2022 baseline

SOME EXAMPLES OF OUR CUSTOMERS THAT ARE LEADING THE CHARGE ON NET ZERO AND SUSTAINABILITY IN THEIR RESPECTIVE INDUSTRIES

staycity

Staycity is an Irish-owned pan-European aparthotel business with 5,304 keys across 32 locations in 15 cities. The business requires its development partners to complete detailed energy modelling with active participation to identify every opportunity for energy saving. It already uses renewable energy sources in 80% of its properties and recognising the impact of its business on the environment, has developed a sustainability plan for its business called "Staygreen".

VERTO

Founded in 2010, Verto is the UK's leading sustainable housebuilder. The business only designs, builds, and sells homes that produce zero carbon emissions. It is constantly seeking innovative new materials and technologies which offer the highest levels of energy efficiency.

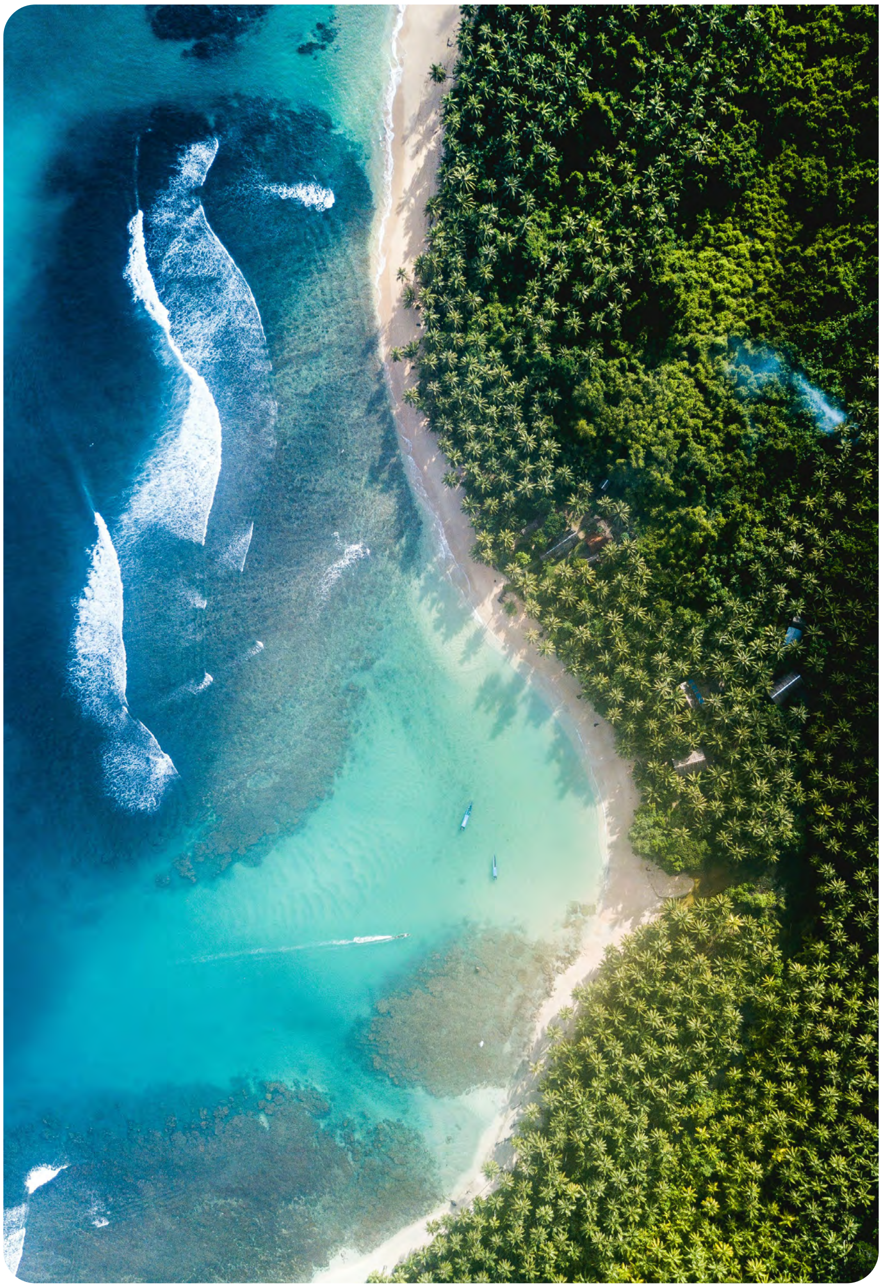
TRICONNEX eSmart networks

TriConnex and eSmart Networks are two of the UK's leading multi-utility and electrical infrastructure services. TriConnex works with residential developers and housebuilders to connect Electricity, Water, Gas, Fibre and EV charging to their projects, while eSmart Networks designs and builds the electrical infrastructure needed to get renewable energy to the grid.

LNT CARE DEVELOPMENTS

LNT is the UK's leading developer of purpose-built residential care homes. Led by a dynamic and progressive management team, LNT is pioneering a new generation of carbon-zero care homes, with its sites already achieving ESG targets required by 2030. Over the next few years, with the support of funding from OakNorth, the business will develop eight new carbon-zero care homes at the centre of local communities across the UK.

Strategy



Our 'youth' and digitally driven, forward-thinking approach to lending mean we are in the unique position of having never lent to businesses directly engaged in fossil fuel production. We also feel that we have a duty to be more ambitious than legacy banks who have begun to commit to net zero by 2050. Our target of achieving net zero for all emissions by 2035 demonstrates that ambition, and we have set interim targets to help ourselves make concrete steps towards this goal. These include becoming net zero through our UK supply chain by 2028 and reducing financed emissions by 60% by 2030.

It is equally imperative to us that, as a trusted partner to our borrowers, we use our digital and analytical capabilities to support their transition to a low carbon economy. As innovative and relatively young businesses themselves, they are ideally placed to be at the vanguard of decarbonising the economy. To this end, we undertake granular assessment of climate risk for every business, making climate considerations an integral aspect of all lending decisions and the terms we may set accordingly.

We are also particularly engaged on the issue of decarbonising the built environment, as a large proportion of our financed carbon footprint relates to the efficiency of customers' properties and investment in/development of property. We have begun working with some of our more advanced customers to identify solutions for more energy efficient, lower carbon buildings that we can also help others to implement. Our borrowers investing in pre-existing properties are already starting to consider optimising the operational energy efficiency of their buildings, an objective we are also advocating for through thought leadership collaborations and sharing expert opinions and latest research.

We recognise that embodied carbon in construction is a material component of the overall impact of our financing activity, and so for the first time this year we have now estimated this impact and included these emissions within our total reported Category 15 Scope 3 emissions. We are also facilitating industry-wide action on net zero for buildings through sponsoring the development of the UK Net Zero Carbon Buildings Standard. This convenes leading industry bodies, participants, and carbon specialists in arriving at a single reference framework that all developers and property owners can work towards. We remain active observers in the development of these standards, which continue to inform our own thinking around achieving 2035 net zero for our property financing and how operational, embodied, and whole-life carbon feature within our targets.

We also hold new build constructions to exacting energy standards, with no construction that we have financed rated below an EPC rating of C, and we work with experts, suppliers, and our borrowers to help them future proof their developments from legislation and industry changes related to the climate.

In June 2023 we held our second annual 'Green Week', increasing engagement with and raising awareness around environmental sustainability within our bank. This year we added biodiversity as a subject area where we encouraged engagement by our team. We acknowledge that this is an area that is pertinent to our customers' ambitions; for example, for developers, for whom nutrient neutrality on sites of potential developments is a concern. We are committed to fully supporting our clients, so we will build on our thinking on biodiversity in 2024 so we can help them make more assured decisions.

Encouraging our customers to commit to net zero is integral to our own transition plan. We have integrated conversations on climate strategy into our engagement and onboarding processes for new and existing clients to understand their progress on decarbonisation, and we guide customers towards reference tools and resources to support their decarbonisation. We regularly engage with customers to raise awareness of low-carbon solutions through webinars, blogs, and articles, in partnership with industry and technology leaders.

We are increasingly financing customers with leading climate and decarbonisation strategies, with over 20% of our current loan facilities supporting businesses in this category, e.g. low-carbon or net zero property owners and developers. We are sharing best practice based on their example across industries and sub-sectors that our customers operate in to inspire others to follow their lead. We are proud to support numerous businesses with strong established ESG credentials and we will continue to work with all our borrowers to develop credible plans to transition to net zero together.

Participation with the industry on net zero

As regular participants in industry-led forums, events, trade bodies and working groups focused on a wide array of themes in sustainable finance, we actively contribute to collaborative efforts ranging from guidance on regulatory reform to solutions for enabling commercial growth and opportunities.

We are members of Tech Zero, the climate action group for tech companies; the Glasgow Financial Alliance for Net Zero (GFANZ) via the Net Zero Banking Alliance (NZBA) vertical; Bankers for Net Zero, an initiative being led by the All-Party Parliamentary Group for Fair Business Banking; and in 2023, we became signatories to the Partnership for Carbon Accounting Financials (PCAF), the industry-led global standard on carbon accounting and disclosure for financial institutions. Our membership of PCAF allows us direct input on shaping best practice on accounting for carbon emissions from financing activities. We also have input on the methodologies, data sources and calculation bases used, with a particular focus on resolving the challenges specific to identification and reporting of emissions from SMEs and growth businesses. In addition, we are also members of the core PCAF project team on Financing towards net zero buildings, amplifying our influence on how banks can measure and incentivise decarbonisation of the built environment and tackle both operational and embodied carbon across the building life cycle.

We welcomed the publication of the inaugural global sustainability disclosure standards, IFRS S1 and IFRS S2, by the International Sustainability Standards Board ("ISSB") in June 2023. We will be closely following the UK adoption of these, with our intention to work towards and apply relevant ISSB standards in due course as appropriate.

Risk Management

For OakNorth, climate risk takes two major forms: The effect on our business and operating model generated by the transition to a low-carbon economy; and failing to seize market opportunities presented by the transition to a decarbonizing economy.

Physical risk

Physical risks from climate change can arise from several factors and relate to specific weather events (such as heatwaves, floods, wildfires, and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise and rising mean temperatures).

Acute physical risks are those that are event-driven, which can include the increased severity of extreme weather events such as hurricanes, floods, or wildfires. Chronic physical risks are the result of longer-term shifts in climate patterns such as sustained higher temperatures, which could include sea level rise or recurring heat waves.

Transition risk

Transition risks can arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation; the emergence of disruptive technology or business models; shifting sentiment and societal preferences; or evolving evidence, frameworks, and legal interpretations.

Litigation and reputational risk

The risk of people or businesses seeking compensation for losses they may have suffered from the transition or physical risks from climate change, where ONB may be deemed responsible for not anticipating or mitigating such exposures.

A growing range of stakeholder and public opinion now demands that banks actively participate in the transition towards a low carbon economy. This heightened expectation may elevate public scrutiny and present risks, e.g. if suppliers, partners, or customers fail to uphold anticipated standards and considerations of climate matters to a level that our stakeholders might expect.

Risk Management Framework (RMF)

The Bank's enterprise-wide Risk Management Framework as agreed by the Board is set in compliance with relevant legislation and is designed to ensure that key risks are identified, measured, monitored, and managed, and that appropriate policies, procedures and controls are established such that each risk is mitigated to an acceptable degree.

This framework is subject to constant re-evaluation to ensure that it meets the challenges of the markets in which the Bank operates. Our approach to climate risk continues to be enhanced over time and is now fully embedded within this overall framework.

Three lines of defence model

In line with standard industry practice, the Bank uses a Three Lines of Defence ('3LOD') operating model to set out roles and responsibilities for risk management. These are covered in detail in the Governance section of this report. Specifically in relation to climate risk:

Ownership and Accountability – the first line of defence (FLOD) is business line management. The Director of Sustainability and ESG Strategy plays a key role in agreeing and embedding climate risk strategy across the FLOD, with the support of ExCo and the Board.

Independent Oversight and Challenge – the second line of defence (SLOD), comprising the Risk and Credit Risk functions, is responsible for monitoring adherence to climate risk direction and limits, reporting any control breaches; ensuring climate risk management practices and conditions are appropriate for the business environment; interpreting and reporting on risk exposures and outcomes; and interpreting and reporting on the climate Key Risk Indicators (KRIs) outlined in our Risk Appetite. The Chief Risk Officer (CRO) is the Senior Management Function accountable for climate risk and leads the related SLOD oversight with support from the Risk team.

Independent Assurance – the third line of defence is responsible for understanding the key current and emerging climate risks affecting the Bank, leads the audit process, and owns the development and completion of the annual Internal Audit Plan, which includes assurance work in relation to ESG and climate risk.

Risk Appetite framework

The Bank's climate risk Strategy is set within a detailed Risk Appetite Statement setting out the type and quantum of risk the Bank is prepared to accept to achieve its strategic business objectives.

We consider climate change an industry-wide emerging risk, with several mitigation approaches as part of an evolving programme to embed consideration of climate risks into our risk management frameworks, governance, and processes. We continue to evaluate the potential impact of physical and transition risks on our loan book in extensive stress-test scenarios, and the impact is very low. We do not lend to coal, oil, and gas sectors, and we assess that our lending exposure to real estate which may be subject to climate change risk via flood risk or energy efficiency is low.

Climate risk is a key area of focus, and we continue to develop and enhance our approach in this area. Specific climate Key Risk Indicators have been introduced for testing, supported by climate risk assessment at both credit underwriting and in-life monitoring. Key elements being considered are physical and transition risks due to climate impact on our counterparties.

Forward looking forecasts are used to assess how a low-carbon policy and technological transition towards mitigating climate change could impact the loan book. The assessment for 2023 identified no material expected losses under any of the three Climate Biennial Exploratory Scenario (CBES) transition scenarios that include Early action (1.8°C risk in temperature by 2050), Late action from 2031 (1.8°C risk in temperature by 2050), and no additional action (3.3°C risk in temperature by 2050).

Embedding climate change risk management in our approach to credit risk

Our approach to climate risk also extends to credit risk management, with defined risk appetite metrics and statements in relation to climate, for example by limiting or restricting our exposure to carbon intensive sectors and higher climate risk businesses. We have never lent to businesses directly involved in fossil fuel extraction or refinement, and our lending policies explicitly exclude financing of such activities.

We have developed a specific climate risk questionnaire and scorecard that is completed by all borrowers to aid our understanding of their awareness, governance processes and strategy towards the risks and opportunities of climate change. Questionnaires are tailored for types of borrowers or transaction, with the outputs and responses included in credit papers for prospective loans and regular existing customer reviews for consideration.

Forward looking assessment of credit risk resulting from climate risk

We continue to refine our granular, sector-specific scenario analysis of the possible impact of climate risk on our borrowers and therefore our capital requirements, which in 2023 included incorporating more UK-specific sector transition pathways in our modelling. By leveraging the scenarios and time horizons from the Bank of England's Biennial Exploratory Scenario, and the ON Climate Impact Framework (part of the ON Credit Intelligence suite), we assess each of our loans including those with only negligible or residual impact from climate change and evaluate the possible impact this would have on credit risk across our loan book.

We embed our climate risk modelling capabilities into origination analysis of new loans, evaluating the impact of transition risk on all new business. In respect of physical climate risks, we have applied the five key perils of flood, cyclones, heatwaves, wildfire, and drought highlighted by the Bank of England and evaluated their impact on our loan book.

Climate stress tests, ICAAP, and scenario analysis

As in previous years, we continue to apply the Bank of England's CBES scenarios to our loan book to stress test for climate risk exposure. This is also included as part of OakNorth Bank's annual ICAAP.

Outcomes of these exercises are to:

- Gauge the financial exposures of participants and the financial system more broadly to climate-related risks.
- Understand the challenges to participants' business models from these risks; and gauge their likely responses and the implications for the provision of financial services.
- Assist participants in enhancing their management of climate-related financial risks. This includes engaging counterparties to understand their vulnerability to climate change.

The exercise considers two routes to net zero greenhouse gas emissions and a scenario for growing emissions:

Early Action: the transition to a net-zero economy starts now so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global carbon dioxide emissions are reduced to net-zero by around 2050. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels.

Late Action: The implementation of policy to drive the transition is delayed until 2031 and is then more sudden and disorderly. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels.

The No Additional Action: Scenario primarily explores physical risks from climate change. Here, there are no new climate policies introduced beyond those already implemented. The absence of transition policies leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C relative to pre-industrial levels by the end of the scenario (2050).

We have assessed the financial exposures as per the guidelines and quantified the business impact and expected losses emanating from the climate risk under the three scenarios.

Transition risk

Transition risk is assessed for all loans, including those with negligible / residual impact, leveraging granular, sector specific forecasts from OakNorth Credit Intelligence that estimate how low-carbon policy and technological transition towards mitigating climate change could impact the book across the three scenarios mentioned above.

The OakNorth framework divides the universe of sub-sectors (OakNorth's existing repository of unique sub-sector scenarios) based on the degree of impact into three distinct categories i.e. Direct Impact, Indirect Impact and Residual Impact based on the carbon intensity of individual sub-sectors. The scenarios process the outputs in form of OakNorth's view on 3 distinct parameters - operating costs (e.g. policy driven costs like carbon taxes or supply-chain driven increased emission costs); capex (the incremental capital investments to be undertaken by businesses to transition to a low-carbon economy); and revenue (ego shut-down of certain product lines, lower demand due to shift in consumer preferences, increase in price due to pass-through of certain proportion of the emission costs to the consumers), for each borrower. These impacts are used to forecast impact on the borrower metrics such as interest cover ratios or loan-to-value for collateralised portfolio over the transition periods. The credit metrics are further assessed to determine impact on whether the borrower is expected to operate within or outside of OakNorth's credit risk appetites or is expected to be in losses.

Physical risk

Physical risk is defined as potential loss caused by climate-related events. The primary physical risk perils highlighted by the Bank of England are Floods, Cyclones and Heatwaves. Of these , the risks of cyclones, heatwaves, wildfires, and drought are not expected to be material for the UK.

Our consideration of physical climate risks includes the capture and assessment of flood risk (surface water flood risk and river and sea water flood risk) as the key risk and the built area and consideration of energy efficiency rating (EPC) for all collateral within our property development and investment portfolios.

For flood risk, we classify the portfolio under levels of risk (no risk/ very low risk/ low risk / medium risk and high risk) and we evaluate the risk impact on the collaterals to determine any potential losses over the life of the loan.

Our plan is to evaluate granular Value at Risk (VaR) assessment for physical risk consistent with the ON Climate Impact Framework. This would imply assessment of business disruption, property damage for each borrower emanating due to (i) Acute risk – extreme weather events, and (ii) Chronic risk – gradual incremental climate change.

Summary of impacts in the CBES scenarios from the Bank of England

Across our assessments for both transition and physical risk, we concluded that while climate risk will have an impact on several borrowers, this is well within the collateral and financial coverage already in place for nearly all instances. Only 0.5% of our total book – which equates to a few borrowers – are directly impacted under the transitional risk assessment, and these can survive across all three scenarios with minimal impact compared to base case. As summarised in the following table, there are no material expected losses across the loan book under all three transition scenarios applied up to 2050. This is also supported by the maturity duration of OakNorth's loan book which is largely within five years.

Climate risk scenarios	Climate risk impact
Early action from 2021 (1.8^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans
Late action from 2031 (1.8^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans
No additional action (3.3^{0}c risk in temprature by 2050)	No Expected Losses Due to Climate Impact; LTV and DSCR within appetite / acceptable for all loans

Note: Loan book as of 31-Oct-23; Stage-3 loans are not part of the analysis

In relation to Physical risk as well we do not expect any material losses under our current scenarios. We ensure that our borrowers have sufficient coverage with insurances against physical risks wherever relevant as part of our credit analysis at origination.

Streamlined Energy and Carbon Reporting (SECR)

Our disclosures and reporting on climate change are guided by TCFD recommendations and will continue to evolve as we make progress through our commitments. The following disclosures are presented pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations"), implementing the UK government's policy on Streamlined Energy and Carbon Reporting (SECR). These **SECR disclosures are not audited**.

Organisational boundary

The disclosures made are for OakNorth Bank plc. For transparency we have also included the impact from our key sister company – OakNorth Global Private Limited, India (ONGPL) to the extent of services consumed by OakNorth Bank.

Reporting period

The reporting period is 1 January to 31 December.

Quantification and reporting methodology

Our energy use and greenhouse gas emissions are calculated with reference to the GHG protocol framework, which has guided our approach.

In the last year we significantly enhanced our data collection process, particularly in relation to estimating our Scope 3 footprint across all emission types. Given the challenges and complexities around data and calculation of Scope 3 emissions, many organisations have only partially estimated their impact for more material or straightforward emissions categories. However, we believe that full transparency over our emissions impact is critical, and the only way to set a meaningful and understandable transition plan towards net zero. We have therefore worked hard to estimate our Scope 3 footprint across all emission types, the totals of which are shown in the tables below.

Scope 1 and 2 emissions

We have calculated location-based emissions utilising energy consumption information provided by the energy suppliers for our buildings. In some cases, we have used monthly averages to arrive at full year numbers for the final quarter of the year, when data was unavailable. To convert our energy consumption to our carbon footprint, we have used the latest country specific electricity grid greenhouse emissions factors from carbonfootprint.com to translate /kWh into kgCO2e.

Scope 3 emissions – Categories 1 – 13

For most supply chain categories, we have estimated supplier emissions using a spend-based environmentally-extended input-output ("EEIO") model. Wherever possible we have replaced estimated supplier emissions with actual figures obtained directly from material suppliers. In some instances, emissions associated with newer supplier relationships have been estimated using pro-rated 2022 expenditure.

Information on business travel undertaken by staff has been consolidated based on internal data systems. For employee commuting and home working, estimates have been extrapolated based on a representative sample of data obtained from a direct survey of employees.

Calculations of emissions from ONGPL also include emissions from purchased electricity and business travel. In calculating emissions estimates for Scope 3 categories 1 – 8, we have utilised emissions factors published by the Department for Business, Energy & Industrial Strategy, the World Resources Institute, and the World Input-Output Database.

Scope 3 emissions – Category 15: Investments, representing financed emissions

As would be expected for a finance provider, the most material element of our Scope 3 emissions lies with our financed emissions, and we have followed the guidance and methodologies of the Partnership for Carbon Accounting Financials ("PCAF") for these. Category 15 represents our lending activity, and in all instances, emissions estimates have been based on economic activity conversion factors for each borrower's industry, or in the case of property, known EPC ratings and floor areas. These give an overall PCAF data quality score of 3.7 for our loan book reported emissions.

In calculating our financed emissions impact, we have used the average monthly balances for each borrower during the year. The PCAF guidance in general requires reporting of financed emissions metrics related to outstanding balances as at end of a reporting period, whilst also acknowledging the limitation that using year-end balances may not capture variability and temporal volatility in the loan book. The guidance therefore allows financial institutions opt to conduct GHG accounting using an average monthly balance for the year instead of a year-end balance. For our loan book, as the financed emissions metrics can fluctuate because of drawdown and repayment levels unrelated to a customer's emissions, we have elected to use average drawn balance as more appropriate reflection of the amount we have financed during the year. We continue to work on refining and enhancing our estimates, which in turn will feed into our efforts to identify the means to reduce our impact and assist our borrowers in finding ways to reduce theirs.

For the first time this year, we have also calculated the embodied carbon impact of our property development financing activity and included these emissions. In arriving at these emissions estimates, we have followed the PCAF guidance methodology on embodied emissions for buildings published in August 2023 and associated emissions intensities datasets.

We have utilised the PCAF emissions factors by building type and country in our calculations, though for property types where there are little or no UK factors available, we have applied the Europe country average factors instead (applicable to single-family houses, apartment blocks, and educational buildings). As per PCAF methodology, our approach annualises embodied emissions over the duration of the construction project, and we take an attribution of the construction emissions as a function of drawn funds against the property value at completion.

For 2023, we have updated the energy use mix between electricity and gas across sectors when estimating borrower Scope 1 and 2 emissions to reflect UK specific factors rather than global.

(Unaudited) GHG Emissions and Energy Use Summary	OakNorth Bank 2023 (Tonnes CO_2e)	OakNorth Bank 2022 (Tonnes CO_2e)
Emissions from activities for which the Bank owns or controls including combustion of fuel & operation of facilities	-	-
Total Scope 1 emissions	**-**	**-**
Emissions from purchase of electricity, heat, steam, and cooling purchased for own use	28	28
Total Scope 2 emissions	**28**	**28**
Category 1: Purchased goods and services	5,023	4,437
Category 2: Capital goods	277	134
Category 3: Fuel and energy activity	16	16
Category 4: Upstream transportation and distribution	-	9
Category 5: Waste generated in operations	1	1
Category 6: Business travel	659	351
Category 7: Employee commuting	1,400	1,409
Category 8: Upstream leased assets	165	168
Category 13: Downstream leased assets	-	-
Total reported Scope 3 supply chain emissions[a]	**7,541**	**6,525**
Category 15: Investments, including financed emissions[b]	107,747	94,499[3]
Total reported Scope 3 emissions	**115,288**	**101,024**
Total location-based emissions	**115,316**	**101,051**
Operational Scope 1 and 2 tonnes CO_2e per employee[d]	**0.05**	**0.06**
Operational Scope 1, 2 and 3 tonnes CO_2e per employee[d]	**12.48**	**14.59**

(Unaudited) GHG Emissions and Energy Use Summary	OakNorth Bank 2023 (Tonnes CO_2e)	OakNorth Bank 2022 (Tonnes CO_2e)
Financed emissions tonnes CO_2e per £mn	**34.8**	**35.3**
Energy consumption used in calculated emissions (kWh)[e]	**229,554**	**272,615**

[a] Calculated using the Greenhouse Gas Protocol Corporate Standard and covers all greenhouse gases converted to tCO_2e. Scope 3 categories 9 to 12 and 14 are not applicable for OakNorth's business activities with nil CO_2e emissions.

[b] Our emissions calculations now include embodied carbon associated with property developments financed. This replaces the proxy methodology for 2022 which used a construction sector average emissions factor applied to borrower revenues, equivalent to Business Trading Loans calculations.

[c] OakNorth's reported Category 15 Scope 3 emissions for 2022 have been revised to reflect updated and enhanced methodology, to better represent the full carbon impact of OakNorth's financing activity during the year.

[d] The employee intensity ratio is computed based on average number of employees. This includes 194 average employees at OakNorth Bank (2022: 131) and 414 average employees at ONGPL (2022: 318).

[e] Energy use reported includes kWh from Scope 2 purchased electricity and Scope 3 employee vehicles only (as required by SECR standards).

In relation to Scope 3 emissions – Categories 1 – 13, during the year, we have continued to undertake measures to minimise our operational carbon emissions and improve sustainability. We continue to explore options to reduce our travel emissions and are pleased to be partnering with Octopus Electric Dreams to offer our UK-based staff the ability to lease a new electric car via salary sacrifice as part of our standard employee benefits and evaluating sustainable fuel.

This year we have onboarded several new suppliers in support of new business initiatives and growth that have contributed to an increased carbon footprint, but we are working with the most material of these on alignment with our supply chain net zero targets in accordance with our recently implemented supplier engagement policy on climate. Efforts to enhance our data quality has resulted in marginal increases for a small selection of suppliers, but we have also benefited during the year from the reduction and expiry of several legacy supplier relationships, while we have seen a material drop in emissions from our server use on a pathway to being 100% renewably powered by the end of 2024. In addition, we have identified the most material carbon emitting suppliers contributing over half our total supplier emissions in aggregate and have already established the means to zero the emissions from 30% of these ahead of our 2028 supplier net zero target date, while we aim to come up with a reduction plan for the remainder of these cases in early 2024. We were pleased to see the emissions intensity per employee drop by over 14% as our operational emissions have grown at a slower pace than the growth of the overall business.

In relation to Scope 3 emissions – Category 15: Investments, representing financed emissions, the loan book growth during the year, particularly across business trading portfolios, has driven most of the increase in our financed emissions in the year. However, it is encouraging to see our rate of growth of emissions was less than half that of the growth in the average loan book balances, resulting in a 13% reduction in financed emission intensities per £million lent. While our financed emissions have increased by 14%, we have seen a 31% increase in average drawn balances, meaning we are performing better at a CO2 per £ level. The greatest increase has occurred on our business trading loans; however, while our average drawn balances here are approximately 75% higher, our emissions have only risen by 35%. For 2023, we have updated the energy use mix between electricity and gas across sectors when estimating borrower Scope 1 and 2 emissions to reflect UK specific factors rather than global, which has acted favourably for our calculated emissions. We also saw a marked reduction in emissions intensity on newly originated loans during 2023, primarily a function of lower attribution of borrower emissions allocated to OakNorth as a proportion of these customers' overall financing.

Since 2019 we have been carbon neutral for our Scope 1 and 2 carbon emissions with the use of offsets. Our longer-term net zero strategy prioritises reductions to our emissions, with only residual and unavoidable emissions reduced with the use of offsets. However, we recognise the important role that offsets play in neutralising some of our impact while we progress with efforts to reduce our emissions, and in supporting the growth and establishment of those businesses directly involved in carbon reduction projects and technologies, and we intend to broaden this support of robust carbon removals over time.

Social

Our 1% + 1% commitment

To continue reinforcing the positive impact we help create though our lending on communities and the economy, we donate 1% of our group profits to supporting charitable causes and socially minded enterprises around the world. This is a formal commitment we have made every year since 2018, though we have been supporting charitable causes and socially minded enterprises since inception.

This year, we expanded on our 1% Commitment with an additional commitment of 1% of our team's time to carry out volunteering and fundraising work for charities, provide pro bono support, and offer formal mentoring via Programmes such as that described below.

The combination of our financial commitment and commitment of our team's time towards these activities is what we call our 1+1% commitment.

BELOW ARE SOME EXAMPLES OF THE WORK WE'VE DONE WITH OUR 1+1% COMMITMENT

'Mentorpreneurship' Programme

Our 'Mentorpreneurship' Programme in partnership with the London School of Economics inspires entrepreneurial thinking by focusing on the fundamental role of mentorship, while empowering young entrepreneurs to connect, network, and build mentoring relationships. It is the first university-run initiative of its kind to engage past, current, and future student entrepreneurs in a 'life-cycle' of mentoring. LSE alumni mentor university student entrepreneurs, who in turn mentor high school budding entrepreneurs, who in turn mentor primary and middle school budding entrepreneurs. Launched in 2021, the Programme has so far supported almost 5,000 people in their entrepreneurial journeys.

> Being the place where we first met, the LSE has played a hugely important role in mine and Joel's entrepreneurial journey so far. Having mentors and being a mentor to others has been invaluable to me, and what particularly excited me about LSE Generate is its focus on socially minded enterprise. We want to inspire students and alumni to start and scale businesses that have a positive impact on society, and to equip them with the skills, knowledge, and confidence to mentor future generations of entrepreneurs who will do the same."
>
> Rishi Khosla
> Co-founder and CEO of OakNorth

> This collaboration builds on the F4S Maths initiatives and OakNorth's Mentoring initiatives, both proven to elevate student confidence and problem-solving. We're not merely prepping young people for jobs – we're crafting enhanced career pathways that benefit both their future and the UK's economic growth."
>
> Sherry Coutu CBE
> Co-founder & Chair of Founders4Schools

Founders4Schools

Founders4Schools is an award-winning ed-tech charity for teachers. We announced a partnership with the charity aimed at supporting 100,000 secondary school students (11-16 year-olds) – including 40,000 from disadvantaged socioeconomic backgrounds – over the next three years. The programme will provide secondary school students with mentorship and inspiration from university students who have chosen subjects that require math.

In return for their volunteering to mentor, students will have the opportunity to secure work experience and internships with OakNorth and other leading businesses from across the Founders4Schools' network in critical sectors such as climate science, fintech, life sciences, data science/AI, therapeutic care services, hospitality, and tourism, and creative and performing arts.

Give. Help. Share.

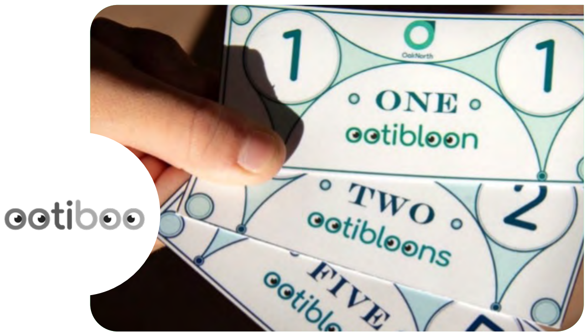
Give. Help. Share. was set up by Amanda and Jacqueline, two friends and former teachers who witnessed firsthand the devastating impact of food poverty on young people's lives. Determined to counteract this, they set up Give.Help. Share in 2021. The charity's name also serves as its manifesto – give children nutritious food, help feed families, share food knowledge for a healthier future. Fast forward to 2023, and the charity supplies wholesome food parcels to more than 2,000 families across Greater London and Hertfordshire. OakNorth supports Give.Help.Share with regular donations, and team members dedicate their volunteering to prep new recipes and shop for healthy ingredients to deliver.

> OakNorth's invaluable donation has made it possible for Give. Help. Share to deliver healthy food bags to hundreds of disadvantaged families, often providing a nutritious lifeline in the cost-of-living crisis where foods high in fat, sugar and salt are more readily consumed due to their low-cost. We have also delivered hundreds of food education workshops to children in primary schools situated in disadvantaged areas, all made possible by OakNorth!"
>
> Give. Help. Share.

Some of our team used their 1% time allocation to help with the sourcing and delivery of food bags.

Ootiboo

Ootiboo seeks to improve mental health, wellbeing, and personal development by delivering fun, engaging creative projects to schools, families, and communities. The organisation aims to break down barriers, encourage trial and error, and nurture the freedom to explore and build engagement with a range of topics. We supported Ootiboo with a series of workshops aimed at improving financial literacy amongst 6–10-year-olds through a series of games and activities exploring currency, value, need vs want, and spend vs save.



The play currency used in the workshops to help young children improve their financial literacy

> The workshops gave the children an opportunity to learn about money and the world of work in a playful manner and at their numeracy level. They were encouraged to think about their choices and to consider why they would want to ensure their needs are met before spending money on wants. Learning through play allows children to explore ideas, problem solve and think creatively, so should be actively encouraged!"
>
> The deputy head at one of Ootiboo's workshops

Ultra Education

Ultra Education provides entrepreneurship tuition and teaching resources to children, regardless of their socioeconomic background. Its programmes focus on supporting underrepresented communities and seek to level the playing field, encouraging equal opportunity and diversity and representation. We supported its 10th annual kids' business fair showcasing some of the most inspirational young entrepreneurs in the UK.

> OakNorth's sponsorship of our youth business fair popup is more than just financial support; it's a visionary investment in the untapped potential of young entrepreneurs. By providing a platform for these talented individuals in spaces they might not typically access, OakNorth not only champions their present achievements but also reaffirms the inherent value young people bring to society when given the belief and opportunities they deserve. This partnership is a testament to the transformative impact belief and support can have on shaping the future, one where the entrepreneurial spirit of our youth contributes significantly to the betterment of our collective community."
>
> Julian Hall
> CEO of Ultra Education

OakNorth STEM Scholarship Programme

This year, we once again launched the OakNorth STEM Scholarship Programme in India, providing financial assistance to 90 underprivileged female students who are pursuing university degrees in STEM (Science, Technology, Engineering, Mathematics) subjects. Under this scholarship, dozens of women from Haryana in India are being provided with a full scholarship to support their continued education.

We also supported Buzz Women to implement the Self-Shakti (Empowered Women) program to train 10,000 women on financial literacy and entrepreneurship to help them start their entrepreneurial journey with the support of government schemes. Our support starts with training women on the basics of financial management, business acumen, and leadership development. One of the outcomes of the program is that it equips women to make more informed and independent decisions about their finances and their future.

Our Responsibility to our team

Our employees play a crucial role in embedding a culture of responsible and sustainable practice across the organisation. We are dedicated to broadening our programmes and initiatives for developing our people and fostering a diverse and inclusive environment. Investing in learning and development opportunities for our people is one of the numerous ways we demonstrate our support, and we offer specially curated courses on a variety of personal and professional skills including communication, leadership, teamwork, sales, and marketing. Knowledge sharing sessions and technical onboarding bootcamps are accessible to all employees and we provide leadership training for new managers, as well as soft-skills training on topics that are key to most roles, such as presentation, time-management, and negotiation skills.

This year, we were delighted that our people gave us an employee engagement score of 7.7/10. Over 80% of our people rated us highly in terms of inclusivity and majority stated they would recommend OakNorth to others as a place to work.

We believe in promoting a diverse workplace in which different backgrounds, voices, and perspectives are respected and heard. We aim to attract people who possess the right competencies and talents, irrespective of gender, race, religion, sexual orientation, or social circumstance, and who contribute to a high-performing organisation. We do not impose any cultural or organisational barriers in setting or achieving our recruitment goals. Consequently, OakNorth Bank is home to a skilled team of individuals with unique backgrounds, perspectives, and experiences, led by founders of Asian and Hispanic origins. A significant focus this year has been our investment in evaluating and further enhancing cognitive diversity within our teams. We seek out people who think differently about business issues as opposed to group think. Through our collaboration with Basadur Profile – an objective psychometric tool to measure individual thinking styles – we have enabled our team to leverage their strengths and drive positive outcomes as a team.

Over the years, we have demonstrated our commitment to our employees, investing in their training and personal development, and creating an environment where they can continue to learn and thrive. We have supported dozens of employees in pursuing ACCA qualifications, Memberships to the Royal Institute of Chartered Surveyors, and Certification for the Association of Certified Anti-Money Laundering Specialists.

Supporting our 1% + 1% commitment to charitable activities, throughout the year, our teams have engaged in several initiatives supporting dozens of charities and institutions around the world, which have been detailed in the preceding sections.

Human Rights and Modern Slavery Act

As a provider of financial services, our supply chain primarily consists of software service partners, as well as suppliers of office related goods and services in the UK. We source our products and supplies from suppliers globally and expect that suppliers do not use any form of modern slavery and human trafficking.

We ask our suppliers to provide their statement or policies relating to slavery and human trafficking and check that they comply with, or are equivalent to, the requirements of the Act. We have a dedicated Supplier Relationship Management team which oversees a rigorous supplier risk management process which includes engaging with suppliers to seek assurance about their anti-slavery and human trafficking policies and whether they are taking steps to prevent slavery and human trafficking in their respective business and supply chains.

Additionally, we conduct regular performance reviews of our supplier relationships to address any material changes within the supply chain. Our Code of Conduct supports our zero-tolerance policy to Modern Slavery, and we continue to review this on an ongoing basis. All staff at OakNorth Bank and its main supplier, its sister company OakNorth Global Private Limited in India, are required to undertake mandatory online training annually. We believe that the risk of modern slavery and human trafficking across our supply chain is low and have not identified any supplier that fails to meet our expectations.

Conduct and Compliance Principles

We have a wide array of robust arrangements in place to manage conduct and compliance risk within OakNorth. Our Whistleblowing Policy allows for anyone who has a concern to raise it anonymously and safely. If any concerns are raised, they would be investigated thoroughly and timely, with appropriate actions being taken. Conduct and compliance risks are governed by a variety of policies such as the Compliance Manual and key conduct and compliance risks are subject to a going compliance monitoring programme. There is also a mandatory annual compliance training program in place that applies to all staff.

Financial Crime

We have several policies in place that manage the risk of bribery and corruption, money laundering, terrorist financing, fraud, and sanctions evasion. The policies govern our operations across all business areas, are implemented within all our first line business functions and are overseen regularly by senior management. We have a zero-tolerance approach to financial crime and are committed to acting professionally, fairly and with integrity in all relationships and business dealings, and to implementing and enforcing effective systems to counter financial crime in all forms.

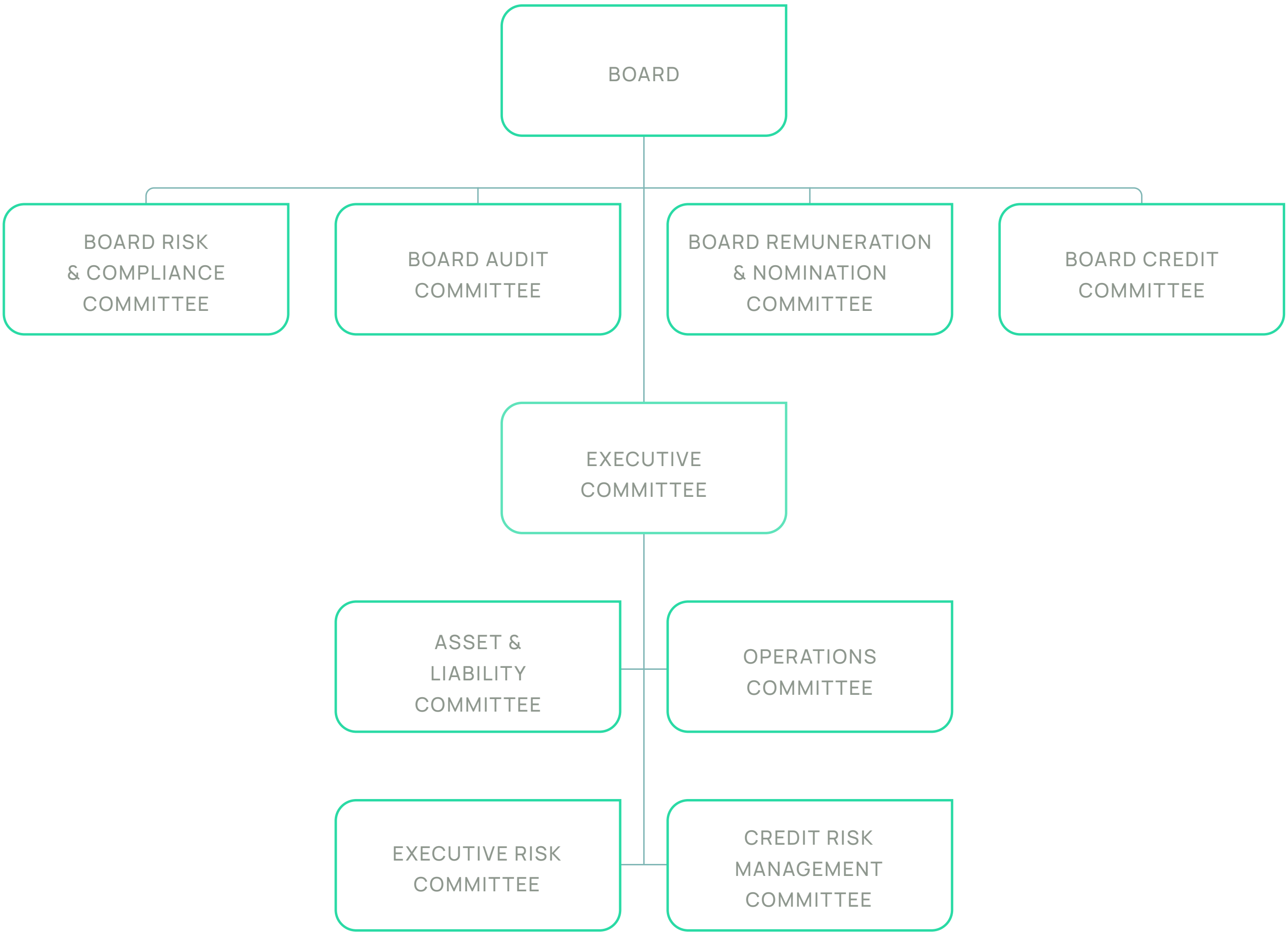
GOVERNANCE REVIEW

GOVERNANCE

Committees

OakNorth voluntarily applies and reports on certain aspects of the UK Corporate Governance Code, consistent with the level of complexity and scale of the business.

The Board's principal duty is to create and deliver a sustainable business model by setting OakNorth's strategy and overseeing its implementation. It is responsible for ensuring that a system of internal controls is designed, implemented, maintained, and tested. It is responsible for approving the Risk Management Framework and the Business Strategy, understanding major risks, ensuring that appropriate limits are set against those risks and that they are adequately controlled and monitored.



The Board generally convenes once a quarter to discuss standing agenda items and to discuss business performance. In addition, the Board holds deep-dive sessions with various functions covering a range of topics. There are further separate meetings to review and discuss the Internal Capital and Liquidity Adequacy Assessment Processes (ICAAP, ILAAP), Recovery Plan, business strategy, financial and operating plans, and annual statutory accounts.

The Board maintains oversight of all areas of the business through the Board Committees and undertakes a formal review annually of its own effectiveness, its Committees, and individual Directors. The Head of Internal Audit is a standing invitee at all Committee meetings (except Remuneration and Nomination), and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary at the invitation of the Committee Chairman.

The Board Remuneration and Nomination Committee assists the Board in determining the optimum Board size at any point in time within the legal and regulatory framework. The Board believes that its current membership, comprising of three Executive and five Non- Executive Independent Directors, is balanced given the current scale of operations and the desired competencies of the Board members. We also benefit from an exceptional Advisory Board.

The governance framework is summarised in OakNorth's Firm Management Responsibilities Map ('FMRM').

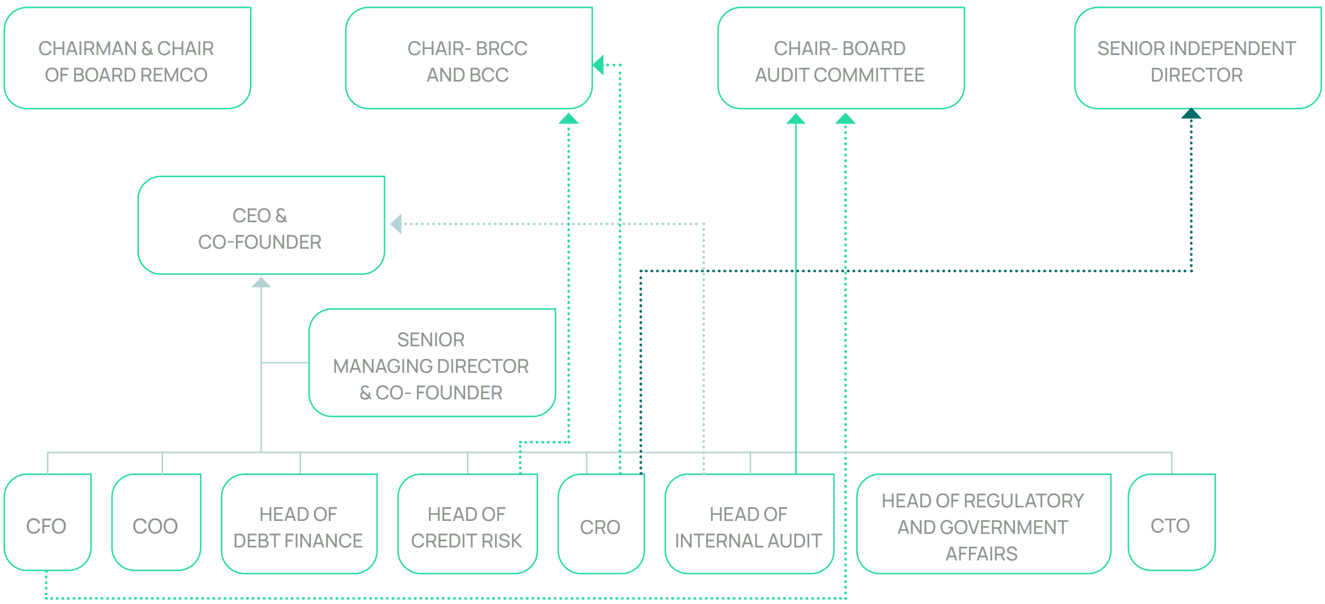
The table below summarises the responsibilities of the various committees:

Committees	Responsibility
Board	The Board sets the Bank's strategic direction and oversees its implementation. It ensures that management maintains an effective RMF with appropriate oversight processes and for embedding the principle of safety and soundness in the culture of the whole organisation.
Remuneration & Nomination Committee (REMCO)	REMCO is responsible for ensuring that remuneration arrangements support the strategic aims of ONB, comply with best practice and enable the recruitment, motivation, and retention of senior executives. The Committee ensures compliance with regulation (Remuneration Code SYSC 19D) and sees its principles are put in place to expressly discourage all inappropriate behaviours. It has delegated authority from the Board for the review and approval of Remuneration Policy and is responsible for setting remuneration for all executive Directors, NEDs, the Chairman, and key individuals, including employees captured under the scope of the Certification Regime, including pension rights and fixed and variable compensation payments.
Board Risk & Compliance Committee (BRCC)	BRCC takes delegated authority from the Board to oversee the entire risk agenda excluding Credit risk. It oversees the continued appropriateness of the strategy and risk appetite considering OakNorth's purpose, values, and sound risk management principles. It assesses OakNorth's principal and emerging risks, and how these may affect the viability of the business model and monitors the adequacy and effectiveness of the RMF and the quality of risk management information. It safeguards the independence of the CRO and the 2nd line Risk function and oversees its performance and resourcing. It approves the annual Compliance Monitoring Plan. It ensures that all risks – from operational resilience to liquidity and capital but excluding Credit risk – are properly identified, evaluated, mitigated, reported, and managed. It challenges executive management and examines whether risk management expectations are translated into culture and duly embedded.
Board Audit Committee (BAC)	BAC takes delegated authority from the Board for the review and approval of the Internal Audit (IA) Charter and Methodology, and Accounting Policy, and for ensuring that ON values and principles are being adhered to. It monitors the integrity of financial statements and public disclosures; appoints the external auditors and their remuneration; reviews the effectiveness of the Internal Audit function, and appoints/removes the Head of IA.
Board Credit Committee (BCC)	BCC takes delegated authority from the Board to oversee all Credit Risk related matters for the Bank and approves larger credit exposures, impairments, and write-offs. BCC receives reports from the Credit Risk Management Committee concerning individual credit exposures, and the portfolio. BCC also oversees credit models performance monitoring. BCC reviews the Watchlist and receives reports concerning the progress on any material Workouts and Recoveries. BCC also oversees the management of financial risks from climate change.
Executive Committee (ExCo)	The ExCo takes delegated authority from the Board and is responsible for developing the Bank's strategy, ensuring the delivery of the Management Plan and that the agreed strategy is executed across all dimensions. Additionally, the ExCo has responsibility for the RMF and for management of all risks. The Board delegates authority to the ExCo for the review and approval of those policies listed in the ExCo terms of reference (TOR).

Management Committees reporting to ExCo	Responsibility
Asset & Liability Committee (ALCO)	Operating under mandate from the ExCo, ALCO implements the Bank's Asset & Liability Management (ALM) policy, including active management of liquidity and funding risk, capital risk, interest rate risk, funds transfer pricing, market & investment risk. The committee provides oversight of the annual Capital and Liquidity assessment exercises along with any stress testing scenarios to produce the ICAAP and ILAAP on an annual basis, for approval by Exco and the Board.
Credit Risk Management Committee (CRMC)	Operating under mandate from the BCC, the purpose of the committee is to oversee, monitor and control credit risk on a day-to-day basis, and to approve facilities under a delegated authority. It ensures that the RMF is implemented as it relates to Credit Risk and AFTE, and that all credit control processes are fit for purpose and operative so that credit risk is mitigated via: Identification; Evaluation; Mitigation; Reporting; Management and Challenge.
Operations Committee (OPCO)	Operating under mandate from the ExCo, OPCO's main objective is to ensure the operational resilience of the Bank, reviewing the performance of all business operations and the performance of outsourced service providers, and taking action to address any issues identified. The Committee also oversees the design and review of the IT platform and operating procedures and oversees resourcing and change management. The Committee reviews, in depth, any operational issues to promote efficiency and manage operational risk across the Bank.
Executive Risk Committee (ERC)	Operating under mandate from the BRCC, the purpose of the ERC is to oversee, monitor and control the Risk agenda. It ensures that the RMF is properly implemented and that all control processes are fit for purpose and operative so that all risks to the Bank – aside from Credit Risk, which is the mandate of CRMC and BCC, and ALM which is the mandate of ALCO and Board – is mitigated via identification, evaluation, mitigation, reporting, management, and challenge.

Reporting structure

Business risk is managed collectively by the ExCo and the Board. The CRO reports to the Board in respect of oversight and challenge for the risk agenda and performance against the risk appetite statement. Capital, liquidity, and interest rate risks are managed by the CFO with oversight from the ALCO and through to the ExCo and the Board. Credit risk policy, management and reporting is managed by the Head of Credit Risk under report to the Credit Risk Management Committee and the Board Credit Committee.



Three lines of defence model

In line with standard industry practice, we use a Three Lines of Defence ('3LOD') operating model which sets out roles and responsibilities for risk management. Risk management is the responsibility of all. The 3LOD principles are built into all role profiles. The structure is reviewed on a continuous basis by ExCo and Board to ensure that it develops and evolves in step with the development of the business.

Ownership and Accountability – the first line of defence (1LOD) is business line management, including the client- facing 'front office' Debt Finance and Customer Services teams and all operational units that generate risk, including Operations, Product, Technology, and Finance. Sound risk governance recognises that business line management owns and is responsible for identifying and managing all the risks inherent in the products, activities, processes, and systems which it creates and for which it is accountable, in line with the agreed risk appetite.

Independent Oversight and Challenge – the second line of defence (2LOD), comprising the Risk and Credit Risk functions, is responsible for monitoring the operation of the RMF and providing advice, oversight, and challenge to the first line to ensure that risk management practices and conditions are appropriate for the business environment. 2LOD also interprets performance against the Risk Appetite. The CRO maintains a fully independent perspective to support oversight of first line risk-taking activities, providing independent advice and challenge whilst participating in collective ExCo decision-making, and providing a second independent high-level oversight of credit risk. The Risk function operates under a Risk Charter defining its scope and mandate.

Independent Assurance – the third line of defence (3LOD) is responsible for understanding the key current and emerging risks affecting the Bank, leads the audit process, and owns the development and completion of the annual Internal Audit Plan. This review is undertaken by Internal Audit, and additional audits are performed by qualified external parties including the Bank's external accountants. The Independent NEDs also provide challenge.

Financial reporting internal controls and governance process

We have established internal control and risk management processes in relation to financial reporting. Our financial accounting and reporting processes are governed via established policies and procedures. Finance processes are additionally subject to periodic reviews by the Internal Audit function. All reporting processes within Finance are subject to maker-checker and reconciliation controls and management reviews, including the process for production and review of the annual financial statements.

The annual financial statements and disclosures are reviewed and approved both by the ExCo and the Board. Management monitors and considers developments in accounting regulations and adopts best practices in the adoption of accounting standards and in preparation of OakNorth's financial statements and management accounts. The Board Audit Committee receives regular updates on all developments and significant matters impacting OakNorth's accounting and reporting processes.

RISK MANAGEMENT FRAMEWORK AND RISK REVIEW

RISK MANAGEMENT

Approach

OakNorth sets a risk strategy alongside its business strategy; and seeks to manage inherent risk through systematic and disciplined risk management. We quantify the risks taken and apply mitigating action appropriately with the objective of delivering long-term value in the business. There is a continuous improvement approach to risk management, and policies, processes, and controls.

Culture

The risk appetite framework is consistent with our risk culture and business model. The Board takes the lead in establishing a strong risk management culture which supports and provides appropriate standards and incentives for professional and responsible behaviour. The Board and management are committed to living OakNorth's values and setting the tone for the culture of the organisation. Our values enshrine our commitment to delivering good customer outcomes, being transparent, and managing risk responsibility to create long term value by generating steady, sustainable, risk-adjusted returns. Risk outcomes and behaviours form a key part of compensation decisions as part of a 'balanced scorecard' approach. All incentive schemes for material risk takers are subject to malus and clawback provisions.

Risk Appetite framework

Our strategy is set within a detailed Risk Appetite Statement which sets out the type and quantum of risk we are prepared to accept to achieve our strategic business objectives. The Risk Appetite is cascaded top-down, deriving logically from the high-level risk objectives to the low-level measures or limits used in day-by-day decision-making, and is defined and measurable. It is based on a set of Strategic Risk Objectives which are dynamically revised according to the evolution of the business and the operating environment and risk outlook. It provides a framework which is used to inform operational management decisions and business planning. Status of each risk appetite metric is monitored at least monthly. Management reviews and initiates appropriate action if the risk tolerances move into 'amber' or 'red' level.

The high-level Enterprise Risk Appetite has been articulated in following categories: Treasury & Capital, Credit, Conduct (including Regulatory and Compliance), Market, Reputational, Strategic, Operational, and Climate. This is subdivided further into risk appetite dimensions and with several Risk Appetite monitoring metrics set. The Risk Appetite Statement ('RAS') is carried through into OakNorth's suite of Policies, and from the Policies into the Procedures (Standard Operating Procedures or 'SOPs') used by OakNorth staff.

Risk Management Framework (RMF)

Our enterprise-wide Risk Management Framework as agreed by the Board is set in compliance with relevant legislation including the PRA and FCA Handbooks, EBA standards, Senior management arrangements, Systems and Controls (SYSC), General Prudential sourcebook (GENPRU), Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU), Capital Requirements Directive (CRD V), Banking Conduct of Business sourcebook (BCOBS), Fifth Money Laundering Directive (MLD5); codes of conduct such as Code of Conduct (COCON), Consumer Duty, the Combined Code on Corporate Governance, and the Lending Code; and, designed to ensure that the key risks are identified, measured, monitored and managed, and that appropriate policies, procedures and controls are established such that each risk is mitigated to an acceptable degree.

This framework is subject to constant re-evaluation to ensure that it meets the challenges of the markets in which we operate, including regulatory standards, industry best practices and emerging issues. The framework is continually enhanced to incorporate evolving regulations.

Through delegated authority from the Board, the Board Risk & Compliance Committee, Board Credit Committee, and Board Audit Committee provide overall supervision and assurance of the RMF, with independent oversight lines for the CFO, CRO, Head of Credit Risk and Head of Internal Audit respectively to support and to protect their independence. Roles and responsibilities are laid out in the Firm Management Responsibilities Map (FMRM).

Risk policies and controls

Detailed policies and frameworks approved by the Board and Board committees define the governance framework that ensures OakNorth's activities are consistent with the risk appetite approved by the Board. These policies cover all areas including (but not limited to): Credit Risk Management, Stress Testing, Liquidity, Capital, Market Risk Management, Financial controls, Compliance, Code of Conduct, Conduct and Customer Experience, prevention of Financial Crime, Fraud and Anti-Money Laundering, Anti Facilitation of Tax Evasion, Operational Risk, and Data Protection. Operational processes are documented in Standard Operating Procedures – detailed documents which describe all the necessary activities to complete a task in accordance with business standards and industry regulations, together with roles and responsibilities and key control processes.

Central to the operational risk management is a Risk & Controls Self-Assessment ("RCSA") framework; a risk management tool whereby risks and controls are documented and assessed process by process, to provide assurance to management that controls are adequate and effective. This is updated regularly as part of the risk management continuous improvement programme.

First line Business Assurance Testing and second line Assurance Testing is undertaken regularly. A Risk Events and Issues database is maintained to inform the processes. An annual ExCo level review of controls is undertaken, supplemented by a programme of enterprise-wide risk assessments, thematic risk assurance reviews, and a Compliance Monitoring Plan which examines regulatory compliance in all areas of OakNorth in a continuous cycle.

Risk Review

Principal risks and uncertainties

OakNorth's Principal Risks and uncertainties are identified, and mitigating action taken by the ExCo, overseen by the Executive Risk Committee and the Board Risk & Compliance Committee. A risk review is debated on a quarterly basis, and each risk has risk mitigation actions allocated. The table below summarises key risks, the key mitigating actions/ approach and the risk appetite metrics used to monitor the risks. Key themes in the Structural Top Risks analysis in 2023 were:

Principal Risks	Risk mitigation
Credit A generic risk which features in the Top Risks given the high growth achieved in the loan book. The high inflation, high interest rate conditions have an impact on the Bank, increasing stress on asset values, borrower performance and impacting business growth. The inherent risk is high due to the macroeconomic environment and is a medium risk post mitigating actions and controls.	• We have set detailed, prudent guidelines and policies for lending with guidelines for key areas such as Debt Service Cover and Loan to Value, and with credit risk appetite limits set for matters such as loan book average probability of default, loss given default, sectoral and single name concentration. • Credits are analysed by experienced credit risk professionals with support from the advanced credit analytics provided by ON Credit Intelligence. • Robust monitoring processes are run by an experienced Portfolio Monitoring team to ensure that all risks relating to individual borrowers are proactively identified and action taken. • The Board is also continually engaged in review of the loan book to ensure that it is performing as expected and risks are within defined limits. • The macroeconomic risks are taken fully into account in our credit policy for origination and in portfolio monitoring. • Stress tests using the proprietary OakNorth Forward Look Rating (FLR) model are made every month to assess the macroeconomic risk to different sectors on a very granular basis. • We maintain strong levels of capital and liquidity well beyond the level needed to manage economic stress.
Cybersecurity A generic risk which features in the Top Risks because the higher risk of cyber-attacks on the financial sector. The inherent risk is high and increasing and is a medium risk post mitigating actions and controls.	• Our security strategy integrates a thorough mix of preventative tactics and rapid detection methods against unauthorised access and breaches. We align with NIST and CQUEST standards through ongoing internal and external evaluations. Key elements include access control, comprehensive monitoring, robust encryption, dedicated vulnerability management, 24/7 monitoring through an in-house Security Operations Centre and anti-malware efforts. Enhanced by cutting-edge real-time monitoring and anomaly detection, our framework allows for swift identification and mitigation of security incidents. • Our committed security and compliance teams drive regular security reviews and adaptive improvements, ensuring our defences mature alongside emerging cyber threats. This approach is reinforced by a robust risk management foundation and insurance coverage, providing extensive protection.

Principal Risks	Risk mitigation
Operational resilience A generic risk. OakNorth has incurred very low operational losses in during the year. The inherent risk is medium, in line with the previous year and is low risk post mitigating actions and controls.	• The resilience of our operations is founded upon up-to-date cloud-based IT infrastructure, robust use of Standard Operating Process documents for all key processes with defined controls and responsibilities, high levels of automation, and the use of strong Service Providers including AWS, Azure, Salesforce, and OakNorth's sister companies ONGPL and ON Credit Intelligence. • Processes and controls are constantly kept updated and checked through the on-going RCSA Process. • First and second line controls and monthly testing are in place. • An Operational Resilience programme has defined Key Business Processes and has set Impact Tolerances which are monitored. None were breached during the year.
Financial crime A generic risk which features in the Top Risks because of high risk of threat to the financial sector. The inherent risk is high, in line with the previous year and is a medium risk post mitigating actions and controls.	• Our inherent risk of fraud and financial crime increased in late 2023 specifically in relation to the Business Current Accounts. The product is however currently in pilot phase with selective invitation-only based account opening and therefore the over-all risk remains limited. • Detailed policies are in place for Anti-Money Laundering, Sanctions, Fraud Prevention, Anti-Facilitation of Tax Evasion, and Anti-Bribery and Corruption, with controls embedded in processes and systems applied by skilled staff with first line of defence. First line management oversight and second line assurance are also in place. • We employ leading financial crime prevention tools that enable more efficient and effective risk management. • Dynamic enterprise-wide risk assessments exist across all areas, and controls are subject to a continuous improvement programme.
Liquidity A generic risk which would feature as a Top Risk for all banks. The inherent risk is high, in line with the previous year and is low risk post mitigating actions and controls.	• We have set a series of forward-looking risk appetite metrics which are based on ensuring liabilities can be met as the fall due under stressed conditions. These metrics are monitored daily and include measures around minimum required liquidity ratios (including internal risk appetite and regulatory requirements), funding concentrations, percentage of protected deposits under FSCS and deposit maturities. • As we currently offer online interest rate paying deposits, interest rate risk / repricing risk is managed in line with the our interest rate risk management policies and monitored by the ALCO in accordance with the risk appetite statement. • These liquidity risk appetite metrics and relevant deposit market information are monitored by the ALCO. A comprehensive ILAAP assessment is performed annually. • A Liquidity Contingency Plan (LCP) is in place ready to be used in any crisis.
Capital adequacy A generic risk which is relevant as a Top Risk for OakNorth as a fast-growing digital bank. The inherent and residual risk is medium, in line with the previous year.	• Our internal target amount of capital is set by the assessment of planned business growth, the risk profile of the business, market expectations and regulatory requirements. • Critical risk appetite limits for capital and leverage ratios have been set. These are monitored on a forward-looking basis to ensure any capital management actions are undertaken in a timely manner to continue supporting the growth of the business. This ensures that capital resources are in place for forecast growth requirements. • The capital ratios are tested periodically under stress test scenarios and monitored on an ongoing basis based on actual business growth and growth plans. • A detailed ICAAP assessment is performed annually.

Principal Risks	Risk mitigation
Regulatory, compliance and conduct and reputational A generic risk. There have been no material compliance breaches in 2023. The inherent risk is medium, in line with the previous year and is a low risk post mitigating actions and controls.	• A full suite of policies and processes is in place to support full compliance, and continually updated. • Regulatory developments are actively tracked, analysed, and actioned. • Compliance training is undertaken for all staff, and policy and processes are validated for compliance and continuously revised and updated as regulation and regulatory expectations evolve. • A Compliance Monitoring Plan (CMP) is run continuously by the second line of defence, covering all areas of the business in an on-going cycle. • A Compliance Advisory function advises all areas of the business on areas from conduct to communications and marketing. • A robust Consumer Duty implementation plan was rolled out during the year, which now forms a part of BAU processes for consumers. • At OakNorth we are committed to putting the customer at the heart of its business model and strategy, being transparent in our dealings with our customers, and delivering good outcomes for them. The foundation is a strong set of company values which include “Right Ambition”, “Say it how it Is”, “Customer delight”, which align with sound Conduct principles. • We monitor customer outcomes through close attention to Net Promoter Scores (NPS) and the feedback which we receive within those surveys and customer complaints. Conduct dashboard, including NPS are monitored quarterly.
People The risk of increased attrition and longer time to hire due to competitive recruitment market conditions. The inherent and residual risk is medium, in line with the previous year.	• Benchmarking remuneration packages and adapting where required. • Strengthening internal career development frameworks and refreshing the graduate programme. • Focus on employer branding and our value proposition. • Building a pipeline of candidates to reduce time to hire. Engaging with talent acquisition partners to help accelerate our recruitment drive. • Regular succession planning and cross-training to manage key person risk and critical roles.
Climate change An industry-wide risk. The inherent and residual risk is low, in line with the previous year	• We have no legacy portfolio in high risk sectors, and since our launch have taken a proactive approach with a programme to support initiatives in climate change management and transition. We set a target to achieve net zero, including Scope 3 financed emissions, earlier than the UK target. • From a risk management perspective, we have evaluated the potential impact of physical risks and transition risks on the loan book in extensive stress-test scenarios, and the impact is very low. We do not lend to the oil and gas sectors, and we assess that our lending exposure to real estate which might be subject to climate change risk via flood risk or energy efficiency is low. • We continue to evolve and enhance our data collection process, particularly in relation to estimating our Scope 3 footprint across all emission types as the challenges and complexities remain in this area. • Climate risk is fully embedded within our enterprise risk management framework, and we evaluate the potential impact of both physical and transition risks on all our borrowers at both origination and regular review via our credit risk management processes. We have integrated climate risk into our credit risk appetites and continue to refine our credit risk appetite metrics to include the most relevant and appropriate climate risk indicators.

In addition to the above, the following risks are identified as 'emerging risks' due to their increasing impact on our business model and strategy.

Emerging Risks	Risk mitigation
Credit Probability of Default (PD) Models New Credit Probability of Default (PD) models have been internally developed and rolled out during the year to ensure these are fit for purpose for OakNorth's lending book and appropriately identify and measure the associated risks. The risk remains that performance issues are identified with the models as they are embedded into the business. In addition, risk from third party models continues in relation to whether they are fit for OakNorth's portfolio.	• The new internally developed PD models have been subject to external validation and the Bank's Model Risk Policy governance procedures. • The new models are subject to performance monitoring and oversight. They are initially being run in parallel with the old models. • Risk of reliance on third-party models has been materially reduced following internal development of the new model.
Strategic initiatives and change management OakNorth has been implementing major programs of strategic change during 2023 and this will continue during 2024. During the year OakNorth launched lending into the US market. We also launched transaction banking services to SME customers on a pilot basis. Material system migrations and upgrades are also planned which are expected to be complex. These strategic initiatives present new risks that require additional ongoing investment in OakNorth's operational and risk management capabilities.	• The volume of new product transactions is currently low, and expansion is carefully controlled for credit quality and operational risk. • The risks of new products are assessed as part of their development and launch. The risks are carefully managed, with a phased approach and detailed testing whereby the Bank ensures a robust control environment is implemented prior to material volumes being generated. • Any major change programmes are comprehensively planned for and rigorously tested and overseen by the Board.

The following sections provide further details on the material risks associated with OakNorth's operations.

Credit Risk

Credit risk is the risk of default and financial loss arising from a borrower or counterparty failing to meet their contractual financial obligations. This risk is one of the most significant risks faced by OakNorth given its business model's emphasis on lending. We do not actively trade in other financial instruments, other than for liquidity management purposes.

This section includes enhanced disclosures as recommended by the FCA, PRA and FRC joint taskforce, which are detailed in the paper "Recommendations on a comprehensive set of IFRS 9 Expected Credit Loss disclosures". The disclosures made herein are as deemed proportionate and appropriate for our balance sheet size and complexity. We continue to endeavour to improve the quality of disclosures on an ongoing basis.

Credit risk review

During 2023, we saw the continued impact of geopolitical instability and economic headwinds. Whilst both the demand and supply of credit in the market declined in the economy on an over-all basis, we continued to cautiously grow our book with strong credit metrics, supported by a robust Forward Looking Rating (FLR) view on the new transactions and were able to retain clients with robust credit with us. We saw a reduction in demand for residential development funding, whilst lending to trading businesses across a variety of sectors expanded. We continued to diversify our lending across the UK through our regional hubs including London, Manchester, Birmingham, Bristol, Leeds, East Anglia and opened our newest office in Scotland.

As mentioned in the Strategic review, we commenced selective lending in the US to support the Missing Middle in this market, supported by the vast commercial lending database and the extensive knowledge of the geography and data analytics capabilities of OakNorth Credit Intelligence.

Our lending originated in the US market during the year has been on a pilot basis. The lending is within the conservative end of our lending and risk appetite metrics, achieving similar return profiles to our UK lending business.

High inflation, the cost-of-living crisis, and a high interest rate environment continued to impact UK households and businesses and business sentiments. These factors, combined with adoption of a more conservative approach (year over year) to staging and seasoning of our loan portfolio, resulted in an increase in the Stage 2 loans. The ECL provisions charge for the year increased to £25.1 million during 2023, compared to £10.8 million in 2022 due to business growth and macroeconomic factors. We had a conservative net leverage cover of 1.28x on our cash-flow based business trading book (non-collateralised) and an average LTV of 52% on our collateralised loan book, with 94% of our loan book collateralised. Therefore, despite the macroeconomic pressures, the portfolio quality continues to be resilient and the FLR process giving us advance warning of potential difficulties.

Going into 2024, whilst the economic outlook has improved for the UK market, uncertainty remains high. We continue to ensure a robust and thought through approach to macroeconomic scenarios and scenarios for individually assessed stage 3 cases have been factored into our ECL provision models.

During the year we rolled out new internally developed Probability of Default (PD) models for assessing the risk rating and ECL provision requirements for our real estate book. The models have been subject to external independent validation and are expected to align more closely with our portfolio characteristics, our risk management criteria and processes and calibrated to our own historic default experience. The models integrate OakNorth's proprietary FLR approach with the macroeconomic variables, scenarios and weightings, to determine both through the cycle (TTC) and point in time (PIT) PDs. As the models are newly developed, their performance is subject to ongoing monitoring, overseen by our Model Risk Governance Committee (MRGC).

For our business trading book, we continued to utilise externally sourced Probability of Default (PD), enhancing these as well with output from OakNorth's FLR approach. The Loss Given Default (LGD) continued to be based on externally sourced models for the entire loan book. There was no change to the Stage 3 specific assessment methodology.

In assessing the macroeconomic scenarios and weightings, the Reserves Adequacy Committee (RAC), which is a working group for governance on provisioning matters, debated the inclusion of potential upside scenarios. The committee concluded that given the uncertainty in the macroeconomic environment and the requirement to observe performance of our new models, upside macroeconomic scenarios, whilst considered, were assigned a nil weighting for the purpose of computing the year-end ECL provisions. Further details on the IFRS 9 provisions are provided in subsequent sections in this report.

The movement in loan book staging and the ECL allowances is detailed in Table 1 in the "Credit Quality Classification" section.

OakNorth's approach to Credit Risk Management

At OakNorth we take a data led and forward-looking view when risk-assessing potential and existing clients. Risk assessment is undertaken to fully understand the client's business, sector, financial capacity, and key risks of any transaction. The output is reviewed in line with OakNorth lending policy. Risk assessment is enhanced using OakNorth's FLR tool. Throughout the year, pursuant to ongoing economic challenges and outlook, we focused on ongoing stress testing of the loan book via the FLR tool. This tool is used to not only assess the impact of known risks, but more importantly to form a view of the potential impact of emerging risks. FLR is updated monthly and applied to our existing borrower portfolio to seek out any emerging trends or specific cases of potential concern.

FLR is a combination of statistical models and fundamental models for granular sub-sectors. It splits the economy into granular subsectors and builds cost and revenue curves based on statistical regression of macro-economic forecasts and historical sector performance. These curves are amended for forward looking factors / structural changes in the industry which are not reflected in the forecasts of macro-economic variables but may impact historical correlations. It further establishes elasticity for cost and working capital projections for obligors by analysing the correlation between these line items and revenue changes over time (regression analysis). Regional subsector curves are then prepared leveraging micro subsector and region level data including sector specific KPIs, high frequency indicators and alternate data sets. These detailed sub-sector forecasts are then applied to each individual OakNorth borrower and used to assess the potential impact on the borrower's cash flow and likelihood of default/loss.

Climate risk is a key area of focus, and we continue to develop and enhance our approach in this area. We have defined risk appetite metrics and statements in relation to climate, for example by limiting or restricting our exposure to carbon intensive sectors and higher climate risk businesses. Specific climate risk questionnaires and scorecards have been developed that are completed by all borrowers and are an input into the ON developed Real Estate PD models. This is supported by climate risk assessment at the credit underwriting and in-life monitoring. We also continue to evolve our approach to measure our financed emissions to support OakNorth in meeting its net zero commitments.

We have refined our granular, sector-specific scenario analysis of the possible impact of climate risk on our borrowers and therefore our capital requirements, which in 2023 included incorporating more UK-specific sector transition pathways in our modelling. FLR forecasts are used to assess how a low-carbon policy and technological transition towards mitigating climate change could impact the loan book. The assessment for 2023 concluded that there are no material expected losses under any of the three Climate Biennial Exploratory Scenario (CBES) transition scenarios that include: - Early action from 2021 (1.8°C risk in temperature by 2050), Late action from 2031 (1.8°C risk in temperature by 2050), and no additional action (3.3°C risk in temperature by 2050).

More information is provided in the ESG section of the Annual Report.

During the year, we continued to strengthen and enhance the Credit Risk Management Framework, including updates to policies and risk appetite concentration metrics, ensuring the risks continued to be effectively managed as we grow.

Credit Risk Governance framework

OakNorth has a Credit Risk Management Framework (CRMF), that operates as a sub-set within the overall enterprise-wide Risk Management Framework. The CRMF operates within the Board and Board Credit Committee mandate and provides an overarching framework for management of credit risk. This includes establishing and monitoring credit policies and procedures, credit and concentration risk appetite limits and key risk indicators, credit risk decisioning process including delegated authorities, portfolio performance and management, risk rating frameworks, risk-weighted assets approach, portfolio provisioning and stress testing framework, and climate risk assessment and management within the loan book.

An independent review of the credit risk policies and processes is carried out periodically by the Credit Quality Assurance (CQA) function – directly reporting to the CRO.

In addition to the governance as detailed in the CRMF, the RAC is responsible for establishing and maintaining the IFRS 9 provisioning framework and associated governance. The committee operates as a working group under the mandate from the Board Audit Committee and its membership includes Head of Credit Risk, Chief Financial Officer, and Chief Risk Officer. The committee is responsible for the review and confirmation of adequacy of provision calculations, oversight of the staging approach applied, review and confirmation of scenarios and weightings, assessing appropriateness of any provision overlays and exceptions, reviewing model accuracy related matters including back-testing, model effectiveness and ensuring IFRS 9 provisions and overlays approach are consistent with the Provisions policy.

Credit risk appetite

The key foundation of the CRMF is a Board-approved risk appetite and credit risk strategy. This ensures that we operate within a suitable credit risk framework that supports the safe and sustainable growth of OakNorth. The risk appetite is translated into measurable Key Risk Indicators (KRIs). Specific credit KRIs include concentration risk both at an individual borrower level and sector level. Concentration limits have been set to ensure we operate within these thresholds and mitigate against a significant build-up of credit risk to any one sector, product / asset class, and /or single name (aggregated exposures) exposure.

Committees and delegated authorities

Portfolio oversight and approval of lending decisions are made at the Credit Risk Management Committee (CRMC) and subsidiary credit committees as delegated by the CRMC - Medium Deals Committee (MDC) and Small Deals Committee (SDC). The delegated authority of each committee is based on a matrix of key credit risk measures including quantum, product type, collateral, policy exception and watchlist status. Higher risk deals based on single name exposure (>£50 million) are also reviewed and challenged by the Board Credit Committee (BCC).

Credit risk management and monitoring

Our Portfolio monitoring team monitors the performance of all loans individually on an ongoing basis. FLR stresses are run monthly at a loan level, and they provide early warning indicators against deterioration in credit quality under different scenarios (both under short term and long term). This enables our teams to prioritise portfolio actions and work proactively with our borrowers.

The early warning indicators are tracked weekly, and a formal portfolio review is done monthly which is presented to the CRMC. Both the CRMC and BCC monitor the performance of the overall portfolio at least monthly through the production of management information including- lending volumes, key credit model output performance, rating downgrades, concentration risk (including large exposures), impairments and any material recoveries and performance against the credit risk appetite limits. Our in-house monitoring and surveying team monitors property development loans.

Credit risk rating

Credit rating of the loan book is assessed based on assessment of PD. We use industry standard models (both third party sourced and developed in-house) to calibrate the PD score for each loan. The PD scores obtained are used in the measurement of ECL provisions. We have set risk appetite limits to monitor the PD and LGD distribution of the loan book. However, the approach for use of the external as well as internally developed PD scores for the purposes of risk reporting and risk management is significantly evolving.

As detailed in the preceding sections, FLR is used as an integral tool to assess credit risk at origination and in-life monitoring of credit risk on a forward-look view specific to our loan book. We therefore incorporate FLR inputs into our PD models to deliver a single credit model, which enables a more sophisticated sub sector approach to lending. This single credit model is used from origination through to IFRS 9 compliant provision calculation and periodic stress testing, ensuring consistency across all aspects of credit risk management and ECL determination.

Credit quality classification

(Audited)

Based on the analysis of the portfolio monitoring triggers, the loan book is classified into the following credit risk categories: - Standard, Early warning sign (EWS), Intensive monitoring (IM), Watchlist (WL) and Default.

The 'Watchlist' triggers are aligned with the IFRS 9 Stage 2 category of Significant Increase in Credit Risk (SICR). In addition to IFRS 9 backstop triggers, these include a combination of quantitative triggers (breaches of risk limits for interest cover or debt service cover ratios, loan to value, loan to gross development value) and qualitative triggers (such as- financial covenant breaches, short term liquidity concerns, performance versus plan, changes in quality of guarantee, failure of any material contracted party, project delays, property development planning permission risks). Cases under forbearance are also classified as Stage 2. For Stage 3, we assess whether there are objective impairment triggers, which include significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, breach of contract, material litigations or any other factors as the CRMC deems relevant which may result in the borrower unlikely to pay. This is aligned with the EBA guidelines on the application of the definition of Default. These include IFRS 9 backstop triggers of 30 days and 90 days past due (DPD) for Stage 2 and Stage 3 respectively. EWS and Intensive monitoring cases are part of IFRS 9 Stage 1 classification.

Each exposure is assessed and monitored individually. We do not apply a general portfolio level approach to apply staging changes to the loan book. The criteria used to trigger a risk classification/ staging review are monitored and reviewed periodically by CRMC. The Head of Portfolio Monitoring or Senior Director, Workout & Restructuring recommends higher risk loans as defined under our Customers in Financial Difficulty (CIFD) policy, to be added to Watchlist/ Stage 2 or Default/ Stage 3, as appropriate, to the Head of Credit and / or CRMC. The Head of Credit and / or CRMC approves the final staging. Transfer back from Stage 3/ Stage 2 to Stage 1 is done only when the exposure falls back within standard/ normal credit metrics and lending policy appetite and only when the exposure starts performing for a period (minimum three months of standard trading) as determined by the CRMC. In some cases, exceptions to staging may be applied where there is sufficient evidence that the credit risk has not increased since initial recognition. Staging changes, including any exceptions, are also reviewed, and ratified by the RAC on a quarterly basis.

Staging classification of loan book

The classification of the loan book across different IFRS 9 stages and the corresponding expected credit loss charge allowance is provided in Table 1. Please see note 1.9 in Notes to Accounts for accounting policy guidelines on staging.

Please see note 1.9 in Notes to Accounts for accounting policy guidelines on loan write-offs.

Forbearance

(Audited)

Central to OakNorth's approach is trying to assist the customer to resolve their financial difficulties and return to financial health as quickly as possible. As part of our CIFD and Forbearance policies and procedures, we may undertake forbearance measures to ensure better outcomes for both the customer and OakNorth.

Forbearance measures consist of concessions towards a debtor facing, or about to face, difficulties in meeting its financial commitments, which OakNorth would not normally provide under its standard lending criteria and may include payments or covenant related forbearance. Forbearance concessions are granted only when they aim to restore sustainable repayment by the borrower and are in the best interest of the borrower returning to non-forborne status. Payment-related forbearance is only extended if it is expected that the customer will be able to meet the revised terms of the loan.

Forbearance cases are reported under the appropriate risk category (EWS, IM, WL, default) and only approved through restructuring strategies presented to CRMC. Cases with significant increase in credit risk are managed via the Watchlist process. Customers exhibiting signs of actual or potential stress are classified in an appropriate watch category and subjected to mandatory actions to ensure that an appropriate strategy is being followed to effectively manage the increased credit risk. From an IFRS 9 perspective, cases marked as forbearance are automatically categorised as IFRS 9 stage 2. IFRS 9 Stage 3 classification applies if the borrower is in default.

Return to non-forborne is permitted once the borrower is performing in line with the terms of the facility agreement, is < 30 days past due and regular payments are being made. Transfer to stage 1 is permitted once forbearance flag removed, in line with borrower operating within approved facility terms.

Loans in default/ non-performing forborne exposures, including those loans that are restructured where the existing agreement has been cancelled and a new agreement is made on substantially different terms, remain classified as forborne for a minimum of 2 years even when they are no longer considered to be in financial stress. This includes -one year as non-performing forborne and one year performing forborne. This approach is aligned with the EBA guidelines on management of non-performing and forborne exposures.

Forbearance disclosures

As at 31 December 2023, we had 15 loans that have been subject to forbearance, totalling to £154.3 million carrying value before provision (2022: 9 loans, £96.4 million). Of these, no loans were in Stage 1 (2022: 4 loans, £57.1 million), 8 loans totaling to £94.7 million were in watchlist (Stage 2) (2022: 5 loans, £39.3 million); and 7 loans totalling to £59.6 million were in Stage 3 (2022: nil).

Please see note 1.9 in Notes to Accounts for accounting policy guidelines on loan modifications.

Credit risk mitigation

(Audited)

We seek to mitigate credit risk through, inter alia, eligible collateral. The CRMF details the eligible collateral that OakNorth may accept for risk mitigation purposes. This includes but is not, limited to, debenture/ charge on fixed and floating assets, charge on freehold land or property, guarantees (personal, corporate), and cash reserves/ deposits. We have policy guidance on the valuation conditions and methods. We also have a Valuer panel management policy in relation to the external valuation firms/ quantity surveyors who can be added to OakNorth's valuation panel.

Any review of collateral is done in line with the scheduled (minimum annual) review for the credit and frequency as specific to the security type, as applicable. Independent valuations are refreshed every 3 years and any exceptions to this policy or waivers granted are specifically approved by the Head of Credit Risk, in line with the Valuation policy. Internal indexation approach is applied to exposures less than £2.5 million in line with EBA CRR rules.

Loan book collateralisation

As at 31 December 2023, 94% of the loan facilities were collateralised by security comprising fixed assets (including property) and charges/ debentures on underlying portfolio of assets (primarily property) (2022: 94%). These exclude any charges on floating assets and guarantees not supported by charge on fixed assets.

Weighted average LTV of the loan book

The weighted average LTV of the loan book facilities collateralised by property was 52% (2022: 52%). There are no loans in Stage 1 or Stage 2 with LTVs over 90%.

Maximum exposure to credit risk (Loans and advances to customers)

(Audited)

For on-balance sheet financial assets, maximum exposure to credit risk is the carrying value of the assets on the balance sheet after ECL provisions. For irrevocable loan commitments, the maximum exposure is the full amount of the committed facilities.

OakNorth allows for drawdowns under property development facilities only where our monitoring surveyor has verified the costs and progress of the development as well as the provision of any other condition precedent for drawdown. For other business lending, conditions precedent are always stipulated for drawdowns.

Collaterals obtained pursuant to the lending arrangements are not offset from the reporting of maximum exposure to credit risk.

Details of maximum exposure to credit risk on the loan book are provided in Table 1. Please see note 1.9 in Notes to Accounts for accounting policy guidelines on measurement of exposure at default (EAD).

Maximum exposure to credit risk (Financial instruments other than Loans and advances to customers)

(Audited)

We hold short duration (< 1 year maturity) UK gilts for the purposes of liquidity management and management of collaterals under the TFSME scheme. During the year we entered into interest rate swap (IRS) transactions to hedge interest rate risk in the balance sheet. We also entered into GBP/USD cross currency interest rate swaps (CCIRS) to support the Bank's lending activities in the US and hedge USD currency risk. We do not actively trade in financial instruments or derivatives for trading purposes.

Cash balances are held at the Bank of England. Balances held at other banks are only on a short-term basis to facilitate inter-bank transactions with customers.

Details of maximum exposure to credit risk on financial instruments other than the loan book are provided in Table 2.

Credit risk concentration

Concentration risk arises in the loan book when several borrowers or exposures have comparable characteristics so that their ability to meet contractual obligations is collectively impacted by any changes to the environment they operate in.

To mitigate this risk, we have several control measures that include the setting and monitoring of concentration limits on single names and across several granular sectors and subsectors and product types and stress testing done as part of ICAAP. We continue to enhance our approach to concentration limit setting and develop our approach to be forward-looking and dynamic.

Concentration risk disclosures: OakNorth is primarily a UK-based bank and primarily lends to small to mid-size businesses. As at 31 December 2023, 96% of OakNorth's exposure was in the UK (2022: 100%) and 4% in the US (2022: nil). 84% of the exposure was to the non-financial sector (2022: 87%).

ECL allowance assessment and impairment methodology

(Audited)

OakNorth assesses on a forward-looking basis, the Expected Credit Loss (ECL) on the financial assets held at amortised cost, including the exposure arising from loan commitments. This includes provision for lifetime ECL where the risk on the asset has significantly increased. The ECL assessment is done at an individual loan level.

Several significant judgements are required for measurement of ECL which include- determining the criteria for significant increase in credit risk (SICR), choosing appropriate PD/LGD framework and assumptions, choosing relevant scenarios and scenario weightings. We test the performance of these models against the actual historic defaults at OakNorth at least on an annual basis.

During the current year we have used a combination of internally developed and externally sourced PD and LGD data to compute the ECL on Stage 1 loans. These PD and LGD models leverage historic industry default data and process borrower financial information and qualitative factors to estimate borrower PDs and LGDs. Through the cycle (TTC) PDs are first determined and then converted to point in time (PIT) PDs using statistical modelling tools for the purpose of calculating ECL. The models use a combination of forecast macroeconomic variables from external forecasters and forward-looking granular subsector inputs from FLR, which include but are not limited to – forecast curves for several variables such as revenues, costs, rental yields, etc, as relevant for a specific sub-sector. The methodology applies 12-month ECL calculation for Stage 1 loans and lifetime ECL calculations for Stage 2 loans. All models and assumptions are reviewed both by the Models Risk Governance Committee and the RAC and at the Board Credit Committee and the Board Audit Committee.

Macroeconomic scenarios are obtained from external forecasters. The RAC, at least on an annual basis, debates and determines the scenarios that are relevant for the Bank and recommends the scenario weightings. These are discussed at the Board Audit Committee.

Specific assessments are done for Stage 3 cases considering multiple recovery scenarios and applying weightings to the scenarios to determine the ECL. The assumptions applied for each case and the scenario weightings are subject to review and approval by the RAC. The committee may also recommend 'overlay' provisions to address any model and / or macro scenario constraints in the baseline PD/LGD models or to address any increased macroeconomic uncertainties which are not captured by the scenarios or scenario metrics as available.

Please see note 1.9 in Notes to Accounts for specific accounting policy guidelines on impairment.

Please see page 58 for details on ECL measurement uncertainty and sensitivity analysis.

Table 1: Maximum exposure to credit risk in the loan book, ECL provisions and Staging (OakNorth Bank) (Audited)

As at 31 December 2023	On balance sheet- Loans and advances at amortised cost	Allowance for ECL	Net carrying amount	% ECL allowance of on-balance sheet exposures	Off- balance sheet - Undrawn Loan Commitments	Allowance for ECL	Net carrying amount
	£'000	£'000	£'000	%	£'000	£'000	£'000
Stage 1	3,397,765	13,260	3,384,505	0.4%	373,439	773	372,666
Stage 2	357,847	5,082	352,765	1.4%	7,139	53	7,086
Stage 3	91,089	12,219	78,870	13.4%	3,902	-	3,902
Total	**3,846,701**	**30,561**	**3,816,140**	**0.8%**	**384,480**	**826**	**383,654**

High inflation, the cost-of-living crisis, and a high interest rate environment continued to impact UK households and businesses and business sentiments. These factors, combined with adoption of a more conservative approach (year over year) to staging and seasoning of our loan portfolio, resulted in an increase in the Stage 2 loans. Mitigating this is the conservative net leverage cover of 1.28x on our cash-flow based business trading book (non-collateralised) and an LTV of 52% on our collateralised loan book, with 94% of our loan book collateralised.

Uncommitted loan facilities: As at 31 December 2023, OakNorth had £1,083.9 million of uncommitted facilities (2022: £1,072.6 million). These facilities are unconditionally cancellable. This balance includes a facility of £22.1 million provided to the subsidiary ASK Partners Limited (2022: £29.7 million).

OakNorth did not have any off-balance sheet exposures on financial and other guarantees (2022: Nil).

As at 31 December 2022	On balance sheet- Loans and advances at amortised cost	Allowance for ECL	Net carrying amount	% ECL allowance of on-balance sheet exposures	Off- balance sheet - Undrawn Loan Commitments	Allowance for ECL	Net carrying amount
	£'000	£'000	£'000	%	£'000	£'000	£'000
Stage 1	2,990,755	13,311	2,977,444	0.4%	430,469	825	429,644
Stage 2	64,825	2,507	62,318	3.9%	6,458	204	6,254
Stage 3	95,415	7,684	87,731	8.1%	-	-	-
Total	**3,150,995**	**23,502**	**3,127,493**	**0.7%**	**436,927**	**1,029**	**435,898**

Table 2: Maximum exposure to credit risk (Financial instruments other than loans and advances to customers) (OakNorth Bank)

(Audited)

	Maximum exposure	Allowance for ECL	Offset	Net carrying amount	Maximum exposure	Allowance for ECL	Net carrying amount
	As at 31 December 2023				As at 31 December 2022		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	1,637,314	-	-	1,637,314	1,235,711	-	1,235,711
Loans and advances to banks	33,458	-	-	33,458	37,507	-	37,507
Investment Securities (UK Tbills/ Gilts/ US MMF)	237,660	-	-	237,660	204,005	-	204,005
Derivatives	167,495	-	(161,730)	5,765	-	-	-
Collateral margin on derivatives	13,747	-	-	13,747	-	-	-
Cash Ratio Deposit placed with BOE	13,338	-	-	13,338	9,401	-	9,401
Prepayments, accrued income and other assets	17,833	-	-	17,833	13,561	-	13,561
Total on-balance sheet	**2,120,845**	**-**	**(161,730)**	**1,959,115**	**1,500,185**	**-**	**1,500,185**
Total off-balance sheet- financial and other guarantees	-	-	-	-	-	-	-

The offset in the table relates to derivatives balances where there is a legally enforceable right of offset in the event of counterparty default. OakNorth did not have any other off-balance sheet exposures (2022: Nil). Cash and balances at central banks comprise of unencumbered cash balances held with Bank of England. Loans and advances to banks are short term funds held with other banks.

Table 3: Movement in gross exposures and impairment allowance including provisions for loan commitments (OakNorth Bank)

(Audited)

	Carrying value (on balance sheet)				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2023	**2,990,755**	**64,825**	**95,415**	**3,150,995**	**13,311**	**2,507**	**7,684**	**23,502**
Transfers between stages during the year								
– Transfers to Stage 1	-	-	-	-	-	-	-	-

	Carrying value (on balance sheet)				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
– Transfers to Stage 2	(320,192)	320,192	-	-	(1,925)	1,925	-	-
– Transfers to Stage 3	(42,794)	(42,486)	85,280	-	(926)	(1,309)	2,235	-
Lending to new customers	1,043,896	-	-	1,043,896	3,763	-	-	3,763
Net impact of further lending, repayments (including write-offs) and ECL remeasurement on existing customers	(273,900)	15,316	(89,606)	(348,190)	(963)	1,959	2,300	3,296
As at 31 December 2023	**3,397,765**	**357,847**	**91,089**	**3,846,701**	**13,260**	**5,082**	**12,219**	**30,561**
Net change in ECL balance					**(51)**	**2,575**	**4,535**	**7,059**
of which net impact through P&L					2,800	1,959	20,557	25,316
of which net impact through balance sheet (including staging transfers and write-offs)					(2,851)	616	(16,022)	(18,257)

Stage 2 comments: Of the total outstanding loans in Stage 2 as at 31 December 2023, £245.9 million were past due and/or subject to forbearance measures (2022: £40.0 million), and the remaining were in breach of OakNorth's other staging criteria. £337.7 million of the loans as at 31 December 2023 were collateralised by real estate (2022: £64.7 million).

Stage 3 comments: Of the total outstanding loans in Stage 3 as at 31 December 2023, £89.4 million were collateralised by real estate (2022: £95.4 million). All the loans were either past due, or in forbearance or under administration.

(Audited)

	Nominal exposure (off-balance sheet)				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2023	**430,469**	**6,458**	**-**	**436,927**	**825**	**204**	**-**	**1,029**
Transfers between stages during the year								
– Transfers to Stage 1	-	-	-	-	-	-	-	-
– Transfers to Stage 2	(22,889)	22,889	-	-	(79)	79	-	-
– Transfers to Stage 3	-	(4,018)	4,018	-	-	(237)	237	-
Lending to new customers	154,791	-	-	154,791	380	-	-	380
Net impact of further lending, repayments (including write-offs) and ECL remeasurement on existing customers	(188,932)	(18,190)	(116)	(207,238)	(353)	7	(237)	(583)
As at 31 December 2023	**373,439**	**7,139**	**3,902**	**384,480**	**773**	**53**	**-**	**826**
Net change in ECL balances					**(52)**	**(151)**	**-**	**(203)**
of which net impact through P&L					27	7	(237)	(203)
of which net impact through balance sheet (including staging transfers and write-offs)					(79)	(158)	237	-

(Audited)

	Carrying value (on balance sheet)				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2022	**2,782,991**	**69,097**	**63,228**	**2,915,316**	**8,929**	**6,481**	**13,601**	**29,011**
Transfers between stages during the year								
– Transfers to Stage 1	29,805	(29,805)	-	-	4,934	(4,934)	-	-
– Transfers to Stage 2	(57,280)	57,280	-	-	(345)	345	-	-
– Transfers to Stage 3	(55,146)	(39,292)	94,438	-	(50)	(1,548)	1,598	-
Total transfers	**(82,621)**	**(11,817)**	**94,438**	**-**	**4,539**	**(6,137)**	**1,598**	**-**
Net additional lending/ (repayment)/ (write-offs) and change in ECL assessment	290,385	7,545	(62,251)	235,679	(157)	2,163	(7,515)	(5,509)
As at 31 December 2022	**2,990,755**	**64,825**	**95,415**	**3,150,995**	**13,311**	**2,507**	**7,684**	**23,502**

	Nominal exposure (off-balance sheet)				Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2022	**381,193**	**-**	**909**	**382,102**	**456**	**-**	**-**	**456**
Transfers between stages during the year								
– Transfers to Stage 1	-	-	-	-	-	-	-	-
– Transfers to Stage 2	(1,658)	1,658	-	-	(4)	4	-	-
– Transfers to Stage 3	-	-	-	-	-	-	-	-
Total transfers	**(1,658)**	**1,658**	**-**	**-**	**(4)**	**4**	**-**	**-**
Net additional lending/ (repayment)/ (write-offs) and change in ECL assessment	50,934	4,800	(909)	54,825	373	200	-	573
As at 31 December 2022	**430,469**	**6,458**	**-**	**436,927**	**825**	**204**	**-**	**1,029**

Measurement uncertainty and sensitivity analysis of ECL estimates

The recognition and measurement of ECL involves the use of significant judgement and estimation including estimation of PDs, LGDs, EAD; consideration of a range of future economic scenarios and interpretation of economic impact; probability weightings assigned to different scenario ECL outcomes to determine an unbiased ECL estimate; expert credit judgements applied on assessing significant increase in credit risk; and management adjustments for data and model limitations and model deficiencies.

Macroeconomic scenario selection and scenario probabilities

(Audited)

We reviewed macro-economic scenarios provided by several different forecasters to understand the range of economic assessments and judge which were best suited to our purpose for both base and stress test forecasting.

Three scenarios were applied for the purposes of ECL provision calculations– baseline and two downside scenarios, which have been detailed in section "Description of economic scenarios" on page 60.

Economic outlook and uncertainties

In management and the Board's view, we currently see multiple dynamics at play contributing to significant levels of uncertainty in the geopolitical and economic environment. In the UK, the economy is continuing to be under stress and is expected to grow more slowly than expected over the coming year. While the worries about a deep recession have largely abated, the prospects of high interest rates, inflation, political uncertainty, and low productivity are set to provide headwinds to growth in the near term. This will likely weigh on investment decisions, sterling, and UK-based assets.

Given the outlook and the range of uncertainties, and the requirement to monitor performance of new internally developed PD models as detailed in the preceding sections, the RAC considered the baseline and downside scenarios as appropriate for the IFRS 9 ECL process and upside scenarios were excluded.

The allocation of weights aligns with our view of the deviations and likelihood of uncertainties in the economic outlook. The approach captures both a range of forward-looking forecasts and the material non-linearities in the ECL calculation. The following probability weightings have been assigned to the scenarios used for the modelled PD / LGD approach: –

Scenario	2023 weightings	2022 weightings
Baseline	60%	50%
Downside 1	35%	40%
Downside 2	5%	10%
Upside	0%	0%

The baseline scenario reflects a higher probabilistic view of the performance of the economy, while the downside scenarios reflect plausible stresses. Specifically for our Stage 2 real estate book, as stated in the preceding sections, we added the approach to assess lifetime cash flows under three scenarios incorporating loan-specific idiosyncrasies where applicable.

The consideration of the downside scenarios is aligned with our stress testing approach for the purposes of internal capital planning. Management judgement is applied on selection of scenario weightings, and they reflect management's view of scenario risks and likelihood. Sensitivity analysis of different combinations of scenario weightings were considered and there were no material deviations in ECL outcomes observed to the other plausible combinations considered. There are several emerging risks as highlighted above, and we will continue to closely monitor the impact and incorporate in our stress testing assumptions.

Table 4 below summarises select key macroeconomic variables used in the three scenarios, along with the scenario weightings.

Table 4 Key macroeconomic variables forecast

(Audited)

OakNorth adopted scenarios 2023	BASELINE		DOWNSIDE 1		DOWNSIDE 2	
Scenario weightings	60%		35%		5%	
Key Macroeconomic variables	2024	2025	2024	2025	2024	2025
GDP change	0.4	0.7	(3.4)	(1.9)	(4.2)	(3.6)
ILO Unemployment Rate	4.5	4.7	5.6	7.3	6.3	8.5
Official Discount Rate, BoE	5.0	3.3	4.3	1.7	3.8	1.3
Average Nominal House Price change	(5.7)	0.6	(11.7)	(10.7)	(14.7)	(16.6)
CPI change	2.8	1.9	0.3	(0.2)	(1.4)	(2.0)

OakNorth adopted scenarios 2022	BASELINE		DOWNSIDE 1		DOWNSIDE 2	
Scenario weightings	50%		40%		10%	
Key Macroeconomic variables	2023	2024	2022	2023	2022	2023
GDP change	(1.2)	0.8	(1.8)	(0.8)	(5.8)	(3.8)
ILO Unemployment Rate	4.2	4.4	4.8	6.7	5.9	8.3
Official Discount Rate, BoE	4.0	4.0	5.0	5.0	5.0	5.0
Average Nominal House Price change	(2.4)	(0.3)	(7.8)	(14.6)	(11.7)	(17.3)

Description of economic scenarios

(Audited)

Baseline scenario key assumptions/risks

In this scenario we assume the continued impact of Russia's invasion of Ukraine and Israel's declaration of war against Hamas, albeit not escalating into a broader regional conflict. Global oil and natural gas prices remain around current levels and there are no further disruptions to supply. Overall supply chain disruptions continue to ease. The BoE keeps interest rates at its current peak for several quarters and only gradually lowers rates towards their neutral levels thereafter. All extraordinary fiscal support is gradually wound down. UK government debt and costs remain high. Labour market remains tight. High interest rates, ongoing cost-of-living crisis, and negative business sentiment continue to provide headwinds to growth over the coming quarters. Headline inflation rate, albeit declining, remains sticky. Structural imbalance between housing demand and supply persists, but high interest rates will continue to impede the demand for credit resulting in continued decline in house prices that lasts for several quarters.

Downside 1 scenario key assumptions/risks

This scenario anticipates a moderate recession. In this scenario we assume a rise in geopolitical tensions with the impact of the war in Ukraine and Israel's declaration of war against Hamas spiralling into broader regional conflicts. Tensions between China and the US increase, disrupting trade. Business investment declines significantly. Increase in risk aversion results in a selloff in global financial markets, triggering a lengthy recession. Delinquencies in household debt increases, resulting in banks restricting credit, leading significant house prices to fall. The BoE, whilst not undertaking rate actions fast enough, cuts the rates faster as compared to the baseline scenario. The period to recovery is longer and slower.

Downside 2 scenario key assumptions/risks

This scenario anticipates severe recession. Significant escalation in geopolitical tensions leads to an even sharper decline in confidence. The global economy fails to pick up and sentiment plummets. Tensions between the US and China lead to significant impacting on the supply chains and exacerbating costs. Complete lack of market confidence in the economy leads to a sharp selloff in the financial markets, further creating stress in sovereign bond markets. The BoE cuts the rates faster as compared to the moderate recession scenario. Concerns over household debts cause banks to restrict further credit availability, resulting in decline in housing demand and causing a plunge in house prices. The national house price average falls by double digits peak to trough over the course of several years. The period to recovery is longer and slower.

Modelling limitations in the ECL process and approach to Post Model Adjustments (PMA)

Inherent limitations exist within the models that are used for the purposes of ECL provisions. Our internally developed models for real estate backed loans are of recent origin and whilst we believe these align more closely to our actual loss experience and factor specific characteristics of our loan book, the performance of the model needs to be monitored over a period to ensure these continue to be robust and are operating as expected. Any material changes to the macroeconomic conditions themselves pose an underlying risk on the assumptions applied to the weightings of scenarios.

The RAC monitors and reviews model limitations, the levels of PDs and LGDs under different scenarios, and challenges the adequacy of the provisions and the requirement and quantum of any PMAs. PMAs are monitored, reviewed, and challenged by the RAC and where applicable, considered in future enhancements and developments of the frameworks and models used in the IFRS 9 provisioning process. As stated in the preceding sections, for the current year the RAC considered and debated the applicability of an upside macroeconomic scenario, which was not allocated any weightage because we had implemented new models in the current year. This inbuilt a balanced conservatism to factor for any model performance risks. The RAC also reviewed the sensitivity analysis and the range of variation of the ECL estimates under a combination of different scenario weighting allocations, which was deemed not material. Output ECL provisions for Stage 2 and 3 cases were reviewed individually and debated extensively. Any exceptions to staging policy were specifically reviewed and approved.

In relation to our US lending, our work on development of credit models is ongoing and as such no separate models were in place as at the year-end 2023. We have leveraged our existing UK PD/LGD framework to determine the risk measures for our US book. Whilst this interim approach has limitations, we do not expect the cost of risk to materially vary given the book is newly originated, with limited volumes, within conservative lending metrics and stressed through our FLR approach for the US market both at origination and in-life.

Overall, RAC concluded that the potential risks arising from the recency of our newer models were mitigated considering the conservative approach taken into factors such as exclusion of upside scenarios, LGD floors for Stage 1 loans as also ECL floors for Stage 2 loans. Additionally, RAC considered the sensitivity analysis of flexing various scenarios/PDs etc and found the overall outcomes within expected ranges. Therefore, it concluded that for 2023, no PMAs are considered necessary (2022: nil).

Sensitivity analysis of ECL on the drawn loan book under different scenarios

Table 5: Key scenario sensitivities

(Audited)

Sensitivity	2023 £mn	2022 £mn
Reported ECL	30.6	23.5
Increase/ (decrease)		
100% Baseline scenario	(1.2)	(2.3)
100% Downside 1 scenario	3.1	1.9
100% Downside 2 scenario	4.5	4.9

The primary driver for the changes in the output in the different scenarios is driven by the PDs and LGDs under those macroeconomic scenarios for cases in Stage 1 and 2. Additionally for Stage 2 real estate cases where specific cash flow assessments drive the ECL, the impacts reflect the ECL requirements under the specific scenarios considered.

Capital management

Our capital risk appetite statement and framework are designed to ensure that the Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements for its ongoing growth projections, even in periods of stress. To enable this, we undertake an annual ICAAP, which is a formal internal capital planning exercise that covers forecasts over a three-to-five-year period as required under the PRA ICAA rules. As a part of the ICAAP, the Board considers all material capital risks OakNorth faces and determines the amount, type and distribution of capital that will be required to cover such risks. We also conduct "Stress testing" to determine whether any additional capital may be required to be held over and above the Total Capital Requirement ("TCR") plus regulatory buffers. On an ongoing basis, we monitor capital adequacy considering the forecast volume of growth in the loan book. The capital adequacy and surplus over the capital buffer position (forecast and actuals) are reported to the ALCO, ExCo, and ERC monthly as well as BRCC on a quarterly basis.

OakNorth uses the Standardised Approach for calculating capital requirements for Pillar 1 credit risk and the Basic Indicator Approach for calculating operational risk Pillar 1 requirements. The Bank's Tier 1 capital resources include ordinary share capital, Fair Value through Other Comprehensive Income (FVOCI) revaluation reserve, Employee Share Scheme valuation reserves and retained earnings, with deductions for items prescribed in the regulations (e.g. intangible assets, deferred tax balances, etc). Cash flow hedge reserve does not form a part of the Bank's regulatory capital. Tier 2 capital includes Subordinated debt issued by OakNorth. More information on capital resources and requirements is provided in the Bank's Pillar 3 disclosures (published on the Bank's website separately).

The key risk appetite metrics that are used by the Bank to monitor and measure its capital risk include (but not limited to) – minimum CET 1, Tier 1 and Total Capital and changes to the surplus over OakNorth's capital requirement under stress scenarios, leverage ratio, large exposures, etc. There are risk appetite limits set for each of these metrics under 'business as usual', early warning indicators, and internal limits.

OakNorth Bank is currently subject to prudential regulatory requirements on a 'stand-alone' (i.e. solo-consolidated) basis and its subsidiary is currently not subject to regulatory consolidation. OakNorth has complied with all regulatory capital requirements throughout the year and continues to maintain surplus over its total capital requirements and regulatory buffers.

As at 31 December 2023, OakNorth Bank had a total capital ratio of 19.3% (2022: 20.1%) and CET1 ratio of 18.6% (2022: 18.7%) and we continued to hold surplus over the regulatory requirements. The CET1 capital ratio remained at similar level as the prior year entirely supported by the profitability of the Bank, inspite of 22% growth in the loan book and no new equity capital raised.

Table: Own funds

(Unaudited)

	2023 £mn	2022 £mn
Risk weighted assets		
Credit risk	4,244	3,577
Market risk	-	-
Operational risk	333	263
Total risk weighted assets	**4,577**	**3,840**

	2023	2022
	£mn	£mn
Regulatory capital		
Share capital	389	389
Retained earnings	484	350
Other reserves	2	0
Deductions for Intangible assets	(6)	(4)
Deductions for deferred tax assets	(0)	(1)
Deductions for investment in subsidiary	(14)	(14)
Deductions for cash flow hedge reserve	(2)	-
Total Common Equity Tier 1 (CET1) capital	**853**	**720**
Total Tier 1 capital	**853**	**720**
Total Tier 2 capital (Subordinated debt)	30	50
Total regulatory capital	**883**	**770**
Capital ratios		
Common Equity Tier 1 capital ratio	**18.6%**	**18.7%**
Tier 1 capital ratio	18.6%	18.7%
Total capital ratio	19.3%	20.1%

Interest rate risk

OakNorth Bank carries interest rate risk in the banking book - the risk of loss arising from changes in the interest rates associated with banking book exposures. Interest rate risk may arise in the following forms:

Gap Risk: risk arising from repricing mismatch of assets and liabilities. The majority of the Bank's assets reprice based on the base rates while most deposit liabilities are fixed rate and managed rate.

Basis Risk: unhedged exposure to one interest rate benchmark with exposure to another interest rate benchmark that reprices under different conditions (e.g., BoE and SONIA).

Option or Prepayment Risk: borrowers redeeming fixed rate products when interest rates change, or prepaying loans for other reasons.

Our interest rate risk management approach is managed in line with the Market and Liquidity Risk Management policy, which details the management, governance process and reporting in this regard. The Treasurer is responsible for the day-to-day management of interest rate risk. The primary assessment of the interest rate risk exposure is through measurement of Economic Value of Equity (EVE) sensitivity to 200bps shift in the yield curve, application of the prescribed EBA shock scenarios, and Earning at Risk (EaR) as set in the risk appetite statement and reported monthly to ALCO.

OakNorth's business model and pricing of assets and liabilities is structured to deliver a natural hedging outcome in most circumstances. The loan book and cash at BoE reserve account are primarily variable rate, referenced mainly to the BoE base rate. Deposits, notice accounts, and certain demand deposits are primarily floating. In an increasing interest rate scenario, the loan book reprices immediately whilst the deposit book reprices on an average with a lag, resulting in a net positive outcome. In a decreasing interest rate scenario, while term deposits and notice accounts reprice with a lag, the lag is short (less than 6 months on average) and is offset partially by contractual base rate floors on all variable rate loans. The effectiveness of floors is naturally higher when interest rates are lower, but these tend to be less effective in high interest rate scenarios. Management may also use a hedging strategy to manage risks from sudden significant changes in interest rates. All of these are managed closely with ALCO oversight.

In 2023, developments in business activities and markets have led to changes in our IRRBB metrics. We have started lending in the US, primarily funded with cross currency swaps, introducing cross currency basis risk – the risk is assessed as immaterial.

During the year, we have made methodology enhancements to our EVE models, to account for changes in the business. OakNorth continuously reviews and develops IRRBB models.

The Net Present Value (NPV) Sensitivity measures below are an assessment of the repricing exposure on notional positions in different assets, liabilities, and derivative positions by timebucket, given an instantaneous 200 bps upward and downward shift in all yield curves. This provides a view of how the net present value of the Bank's notional balance sheet positions would change in response to such a shock. The assessment reflects the impact of the interest rate floors OakNorth has in place in its lending contracts, the impact of the average gap to the rate floors which would be realised before the floors come into effect when rates move downwards and, the impact of early repayments that might arise in an environment where interest rate floors have come into effect. The forward rate curves for Sterling Overnight Index Average (SONIA) are used to calculate the future net interest income on GBP denominated asset/ liability positions and Secured Overnight Financing Rate (SOFR)forward rates curves are used for USD denominated asset/ liability positions. The spot curves for these benchmark rates are used for discounting the cash flows in the respective currencies.

(Unaudited)

	As at 31 December 2023	As at 31 December 2022
	£mn	£mn
NPV Sensitivity to +2% shift (including rate floors)	26.2	20.2
NPV Sensitivity to -2% shift (including rate floors)	18.3	(3.7)

During 2023, the IRRB metrics have remained within OakNorth's risk appetite.

Liquidity & Foreign exchange (FX) risk

Liquidity risk is defined as the risk that OakNorth is unable to meet its contractual financial obligations as they fall due. We consider funding and liquidity risks as key risks that could challenge the survival in a stressed environment and limit the Bank's growth aspirations and profitability under normal conditions. The main liquidity risk faced by OakNorth is that of a retail deposit funding stress such that retail deposits may be withdrawn by customers at their earliest contractual maturity. As at 31 December 2023, over 94% of our deposit balances continued to be protected under the Financial Services Compensation Scheme (FSCS) (2022: 94%).

We maintain a prudent approach to managing liquidity ensuring we hold sufficient high quality liquid assets and liquidity buffers to meet financial and regulatory commitments over an extended period in line with the Board's risk appetite and the PRA ILAA requirements, both of which are detailed in the Bank's ILAAP document.

The key risk metrics that are used by the Bank to monitor and measure its liquidity risk include (but are not limited to) – Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), levels of High-Quality Liquid Assets (HQLA) including under stress, peak deposit outflows, etc. There are risk appetite limits set for each of these metrics under 'business as usual', early warning indicators, and internal limits.

Stress testing is an integral part of the overall governance and liquidity risk management framework of OakNorth. As part of the ILAAP process, the liquidity stress testing process evaluates the levels of outflows and the adequacy of liquidity resources available under 'severe but plausible' potential stress scenarios, which are based on the key risks in the business (idiosyncratic risks) and the macro environment. The ALCO and the Board review, challenge and approve the stress scenarios and outcomes. The stress testing process helps ensure that OakNorth has sufficient liquidity under severe but plausible stress conditions and confirms the adequacy of the liquidity risk appetite limits.

The ALCO is responsible for setting and monitoring the appropriate thresholds and limits on the capital and liquidity risk drivers, the day-to-day decision-making process around early warning indicators and ensuring that OakNorth remains on target and within its capital and liquidity risk appetite. Independent oversight is provided by the second line Risk function. ALCO also conducts risk appetite appraisals to ensure that the Capital and Liquidity risk appetite statements are up to date and remain relevant to the operations.

During the year we commenced a USD lending pilot in the US market and as part of the funding strategy, entered into cross currency interest rate swaps (CCIRS), swapping GBP funding to USD. OakNorth's USD denominated balances primarily comprised £145.5 million of drawn loans, £31.8 million of money market funds and £0.8 million of cash at other banks. As at 31 December 2023, the CCIRS were designated as fair value hedges with foreign currency as hedged risk and underlying hedged items being the USD loans and the investments in USD money market funds.

(Audited, except for regulatory ratios)

As at 31 December 2023, OakNorth's unencumbered high quality liquid assets included £1,637.3 million of cash at BoE reserve account (2022: £1,235.7 million) and £31.8 million held in short term highly liquid USD money market funds (2022: nil). Throughout the year, OakNorth complied with all the regulatory liquidity measures and continued to maintain surplus over the requirements. The average LCR during the year was 365% (2022: 383%) and the NSFR was 161% (2022: 154%).

There is no material change to the liquidity risk management policy and strategy as compared to the prior year. All metrics were within OakNorth's risk appetite limits.

Operational Risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems, or external events. We aim to mitigate each risk with robust controls and monitoring.

We have set a low-risk appetite for any operational loss. We have a defined Operational Risk policy and a framework of risk mitigation processes. The first line of defence ensures that any operational risk in their area is assessed and mitigated through clearly defined and documented process documents (Standard Operating Procedures) which are continuously updated. The control framework is defined, reviewed, and monitored through the RCSA process, again continuously updated. In addition, a programme of second-line and third-line thematic reviews and monitoring ensures independent challenge and review. Appropriate risk limits and their thresholds and early warning indicators are set, and the key processes are reviewed for effectiveness through first line and second line assurance testing at a frequency determined using a risk-based approach. Appropriate MI on process effectiveness and any events or near misses, and the root cause analysis thereof, is reported monthly to senior management. This area of risk is overseen by the OpCo, ERC, and the BRCC.

The Bank has a Business Continuity & Crisis Management Plan (BCP) in place that establishes systems of prevention and recovery to deal with potential threats. A Business Impact Analysis (BIA) is conducted annually to identify and quantify the operational and financial impact from foreseen crisis events. The BIA establishes the criticality of partners, applications, infrastructure, people assets, business processes, operational activities, and their respective interdependencies, defines the recovery objectives i.e., Recovery Time Objectives where applicable and Recovery Point Objectives, and links to planning for contingencies and back-up arrangements.

During the year the Bank continued its Operational Resilience programme which focuses on continuous improvement through the identification and remediation of vulnerabilities through periodic testing. In accordance with PRA and FCA expectations, the Bank has defined its important business services and impact tolerances, and all have been met throughout the year. The services are mapped, and controls and contingencies are fully planned. A programme of individual component testing and more complex multi-component testing and drills ensures that we can identify vulnerabilities to continually strengthen our resilience.

Conduct, compliance, and financial crime

Adherence to all applicable regulatory rules, guidance and expectations is a key focus of the Bank, particularly those regarding Conduct, Compliance and Financial Crime. OakNorth, always, aims to do the right thing for its customers and keep them, and the integrity of the markets in which they operate, at the heart of what we do. We have no appetite for any breach of law, regulation, code or standard of conduct or compliance.

We also ensure that we effectively manage reputational risk, defined as the risk to its public image from a failure to meet stakeholders' expectations in relation to performance, conduct or business profile. Stakeholders include customers, investors, employees, suppliers, government, regulators, and other group companies.

The Bank has an independent and specialist second line Financial Crime and Compliance function, providing advice and guidance and a continuous programme of assurance through structured monitoring plans, delivered on a risk-based approach. The function also provides training, project/new business support, policy oversight and various other risk management activities to ensure the Bank complies with all its legal and regulatory responsibilities. Tailored management information on all compliance themes is reported monthly to senior management. This area of risk is overseen by the Enterprise Risk Committee and the Board Risk & Compliance Committee.

Climate Risk

Climate risk is the risk that climate change may affect our business and operating model through financial or reputational risks generated by the transition to a low carbon economy, or directly through assets exposed to the physical effects of climate change or failing to seize market opportunities. Climate change can affect the banking industry in a broad way, either directly or indirectly and we are currently developing our risk management framework in line with industry best practice, embedding the management of climate risk within all potentially impacted areas. This primarily includes Credit Risk, Operational Risk and Reputational risk.

Details on our climate risk management programs and initiatives is provided in the "Environment, Social and Governance review" on page 24.

Details on impact assessment on our loan book are discussed in "OakNorth's approach to Credit Risk Management" on page 51.

Cyber Risk

At OakNorth, safeguarding our information and systems against increasingly advanced cyber threats is paramount. Maintaining a proactive and robust cyber risk management programme has enabled us to mitigate emerging threats and avoid any significant incidents, thereby protecting our ongoing operations and our customers.

We leverage robust cloud services and advanced cybersecurity solutions to support a resilient IT infrastructure. We deploy a 'Defence in Depth' approach (including firewalls, VPNs, encryption, and robust monitoring tools), and combined with our in-house 24/7 Security Operations Center (SOC) and regular independent penetration testing processes, we test and validate our multi-layered defense setup. We adhere to the NIST Risk Management Framework (RMF) and conduct regular cybersecurity maturity assessments against the Bank of England's Cyber Resilience Questionnaire (CQUEST) self-assessment co-developed by the PRA and FCA, and the NIST framework.

DIRECTORS REPORT

EXECUTIVE DIRECTORS

Rishi Khosla
CO-FOUNDER
& CHIEF EXECUTIVE OFFICER

APPOINTED: DEC 2013

Joel Perlman
CO-FOUNDER
& SENIOR MANAGING DIRECTOR

APPOINTED: DEC 2013

Rajesh Gupta
EXECUTIVE DIRECTOR,
CHIEF FINANCIAL OFFICER

APPOINTED: FEB 2021

NON-EXECUTIVE DIRECTORS

Cyrus Ardalan
CHAIRMAN, CHAIR OF THE BOARD REMUNERATION & NOMINATION COMMITTEE

APPOINTED: JUN 2015
RESIGNED: DEC 2023

Lord Adair Turner
CHAIRMAN, CHAIR OF THE BOARD REMUNERATION & NOMINATION COMMITTEECOMMITTEE

APPOINTED: JAN 2024

Robert Burgess
NON-EXECUTIVE DIRECTOR, CHAIR OF THE BOARD CREDIT COMMITTEE, CHAIR OF THE BOARD RISK & COMPLIANCE COMMITTEE

APPOINTED: JAN 2015

Carolyn Schuetz
NON-EXECUTIVE DIRECTOR, CHAIR OF THE BOARD AUDIT COMMITTEE

APPOINTED: JUN 2021

Edward Barry Berk
SENIOR INDEPENDENT DIRECTOR

APPOINTED: MAY 2017

Timo Boldt
NON-EXECUTIVE DIRECTOR

APPOINTED: AUG 2022

The Directors present their annual report on the affairs of OakNorth Bank plc (registered number: 08595042), together with the audited consolidated financial statements, for the year ended 31 December 2023.

Principal activities

The Bank and its subsidiaries comprise the 'Group'. The Bank is a banking institution, which is authorised by the PRA and regulated by both the FCA and the PRA.

Results

The statements of comprehensive income and the statements of financial position can be found on page 79 and 81 respectively. Analysis of business performance and key performance metrics are detailed on page 19.

Going concern

The Directors are satisfied that the Bank and its subsidiary have the resources to continue in business for the foreseeable future and that there are no material uncertainties to disclose. In making this assessment, the Directors have considered – OakNorth and its subsidiary's current available capital and liquidity resources, the credit quality of the loan book and overall balance sheet; the business financial projections (including profitability, liquidity and capital resources and requirements), long term strategy and the resilience and adaptability of the operational and IT infrastructure and that of its staff.

- OakNorth continues to maintain surplus over the minimum regulatory capital and liquidity requirements. Additionally, the credit and operational performance measures continue to be well within the risk appetite metrics limits. All the metrics are monitored via monthly and bi-monthly MI reports reviewed by the Board.
- During the year, the Board approved the Bank's 3-year strategy and business plan, capital plan and financial forecasts with consideration to the Risk Management Framework and Risk Appetite. Capital and Liquidity planning and stress testing was performed as part of the ICAAP and ILAAP which was approved by the Board and submitted to the PRA.
- The ECL assessment based on the combination of OakNorth's internally developed models and third-party models for PD and LGD, specific assessments of cases in SICR and default, and, the macroeconomic scenarios and scenario weightings, provide the Board with the comfort that the credit risks have been appropriately assessed and quantified.
- OakNorth's staff have been able to effectively continue working in a hybrid environment. No material disruptions or operational risk events or service disruptions were noted during the year and the IT and cybersecurity infrastructure proved to be robust.
- OakNorth's subsidiary, ASK Partners has adequate cash to fund its business operations. As such the subsidiary does not take any material credit risk on its own balance sheet and has no regulatory capital and liquidity requirements.

Financial Risk Management

The disclosures required to be included in the Directors' Report in respect of the Company's exposure to financial risk and its financial risk management policies , along with measurement of these risks, sensitivities (as applicable) and governance and monitoring frameworks and processes, are detailed in the 'Risk Review' on pages 45 to 64. The accounting policies in relation to derivatives held for risk management are detailed on page 95 to 96 and disclosures in relation to the derivatives are provided on page 114 to 116.

The Pillar 3 disclosures, including disclosures on OakNorth's remuneration policy are available on the website - www.oaknorth.co.uk.

Stakeholder engagement

The disclosures required in respect of the Company's engagement with its key stakeholders including the investors, customers, suppliers, regulators, wider community, and the environment – are provided in the section "Board engagement and consideration of stakeholder interests in the board's decision-making processes- Section 172 statement" of the Strategic Report on page 22.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosures are provided in the "Environmental, social and governance review" on page 24.

Dividends

The Directors do not recommend a dividend for the year.

Directors' indemnities

OakNorth has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Political contributions

No political contributions were made during the year.

Post balance sheet events

There are no post balance sheet events.

Strategic report review

Strategic Report is reviewed and approved by the Board.

Current developments, uncertainties, and outlook

Please refer to the Strategic Report section "Business and economic outlook' for assessment of the current and developments business and economic environment and impact on OakNorth. Please refer to 'Risk Review" for details on principal and emerging risks and risk mitigation.

Independent Auditors

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

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

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

PricewaterhouseCoopers LLP (PWC) were appointed as OakNorth's Auditors on 6 September 2018. Approval to reappoint PWC as auditors will be proposed at the next Board meeting. Daniel Brydon, Senior Statutory Auditor at PWC, completed his five-year term as the audit engagement leader for OakNorth in 2022. We welcome Daniel Pearce as the new Statutory Auditor and engagement leader for OakNorth in 2023.

Approved by the Board and signed on its behalf by:

Rishi Khosla
CO-FOUNDER & CHIEF EXECUTIVE OFFICER
22 March 2024

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Rishi Khosla
CO-FOUNDER & CHIEF EXECUTIVE OFFICER
22 March 2024

FINANCIAL STATEMENTS

Independent auditors' report to the members of OakNorth Bank Plc

Report on the audit of the financial statements

Opinion

In our opinion, OakNorth Bank Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; 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, which comprise: the Consolidated and Company Balance sheets as at 31 December 2023; the Consolidated statement of profit & loss and comprehensive income, the Consolidated and Company Statements of changes in equity, and the Consolidated and Company Cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Board 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 group 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.

Other than those disclosed in Note 2, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of the consolidated and company financial statements of OakNorth Bank Plc. As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.
- The scope of the audit and the nature, timing and extent of audit procedures were determined with consideration of our risk assessment, the financial significance of account balances and other qualitative factors.
- Audit procedures were performed over all account balances and disclosures which are considered material and/or represent a risk of material misstatement to the financial statements.

Key audit matters

- Impairment of loans and advances to customers (group and parent)

Materiality

- Overall group materiality: £9.4m (2022: £7.6m) based on 5% of profit before tax.
- Overall company materiality: £8.9m (2022: £7.5m) based on 5% of profit before tax.
- Performance materiality: £7.0m (2022: £5.7m) (group) and £6.7m (2022: £5.6m) (company).

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
The application of key judgements and assumptions in determining expected credit loss provisions on loans and advances to customers (group and company) As at 31 December 2023, the group and company has an ECL provision of £30.6m (2022: £23.5m) against its loans and advances to customers.	With the support of our credit risk modelling specialists, we performed the following procedures: We understood and critically assessed the appropriateness of the ECL accounting policy and model methodologies used by management, including for the existence of bias. *Methodology and significant assumptions used in the new PD and LGD model*

Key audit matter	How our audit addressed the key audit matter
Under IFRS 9, impairment losses are recognised on an expected credit loss ('ECL') basis, which requires the use of forward-looking information, reflecting management's view of potential future economic scenarios. The standard also requires management to make judgements regarding when a loan has experienced a 'significant increase in credit risk'. During the year, management developed new internal Probability of Default ('PD') and Loss Given Default ('LGD') models for the stage 1 Property portfolio, while continuing to use external (Moody's) PD and LGD models for the Stage 1 trading portfolio. Both models involve complex and multi-component methodology, where a forward looking rate ('FLR') is incorporated to adjust for forward-looking macroeconomic assumptions, and possible scenarios and related probability weightings are applied. Individual assessments of LGD were introduced for stage 2 property portfolios, in addition to the stage 3 portfolio. We consider the following elements of the determination of ECL for loans and advances to customers to be significant: • The appropriateness of methodology and significant assumptions used in the new PD and LGD model; • The appropriateness of judgement applied on the selection of the possible scenarios and probability weightings; • The appropriateness of judgement applied on the selection of the criteria for significant increase in credit risk ("SICR"); and • The appropriateness of judgement applied on the selection of scenarios and probability weightings for individually assessed loans. The relevant disclosures are given in the Credit risk management section of pages 53-61. Management's associated accounting policies, judgements in the application of accounting policy, and critical estimates are disclosed in Note 1.	We assessed the reasonableness of the methodology used (including changes from prior year) in the PD / LGD models and evaluated compliance with IFRS 9 requirements. We assessed whether the methodology used in the FLR model is appropriate and selected a sample to determine if the methodology was appropriately applied. We tested the completeness and accuracy of critical data inputs used in the PD and LGD models and agreed a sample of cases to underlying documentation. We independently replicated the assembly of the FLR, PD and LGD models to reproduce the modelled ECL estimates. *Judgements applied on the selection of the possible scenarios and probability weightings* We compared management's forward-looking economic assumptions to external forecasts to assess their reasonableness. The severity and magnitude of the different scenarios used within the model were compared to external stress scenarios and data from historical economic downturns to determine whether they represented sufficient downside. We used this analysis to test the reasonableness of management's assigned weightings to each scenario in the ECL calculation. *Judgements applied on the selection of the criteria for significant increase in credit risk ('SICR')* We evaluated the compliance with IFRS 9 of the Watchlist used to identify SICR as set out in the Customers in Financial Difficulty Policy ('CiFD'). We tested the consistency of policy implementation and assessed the reasonableness of any exceptions and judgments made in applying the policy. *Judgements applied on the selection of scenarios and probability weightings for individually assessed loans* For a sample of individually assessed loans (stage 3 loans and stage 2 property portfolio), we evaluated the specific circumstances of the borrower, including the latest developments, sales offers and confirmation of offers completion, scenarios and weightings assigned for measuring the impairment provision, and whether key judgements were appropriate. This included considering the impact of possible alternative scenarios on the provision. We assessed the appropriateness of disclosures in the financial statements as part of our audit procedures and assessed them to be appropriate.

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 group and the company, the accounting processes and controls, and the industry in which they operate.

The group comprises OakNorth Bank Plc and ASK Partners Limited. Each entity is located in the UK and is considered to be a financial reporting component.

In establishing the overall approach to our audit of the financial statements, we determined the type of work that was required to be performed over each component. OakNorth Bank Plc is considered individually financially significant in the context of the group's consolidated financial statements and hence a full scope audit component.

We considered the individual financial significance of ASK Partners Limited in relation to primary statement account balances. We considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). ASK Partners Limited was identified as individually financially significant, specifically with respect to one or more material account balances, which were subject to specific audit procedures.

All audit work was performed in the UK and by the same engagement team.

The scope of the OakNorth Bank Plc company audit and the nature, timing and extent of our audit procedures were designed, planned and executed with consideration of our risk assessment, the financial significance of account balances, and other qualitative factors (e.g. history of error or misstatements). We performed audit procedures over all account balances and disclosures which we considered to be material and/or represent a risk of material misstatement to the financial statements.

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 group's and 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 group's and 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:

	Financial statements - group	Financial statements - company
Overall materiality	£9.4m (2022: £7.6m).	£8.9m (2022: £7.5m).
How we determined it	5% of profit before tax	5% of profit before tax
Rationale for benchmark applied	Profit before tax is a key measure used by management and stakeholders in assessing performance of the group and is a generally accepted auditing benchmark.	Profit before tax is a key measure used by management and stakeholders in assessing performance of the company and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated to the significant component was £8.9m.

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 75% (2022: 75%) of overall materiality, amounting to £7.0m (2022: £5.7m) for the group financial statements and £6.7m (2022: £5.6m) 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 upper end of our normal range was appropriate.

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £468,000 (group audit) (2022: £381,000) and £445,000 (company audit) (2022: £373,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Assessing and challenging key assumptions used by directors in their determination of the going concern status of the group and company;
- assessing the liquidity, capital and profitability forecasts prepared by management to support the going concern assessment, with stress testing performed to challenge their reasonableness;
- corroborating legal and regulatory correspondence with audit procedures performed to ensure that there are no compliance issues which may impact the going concern of the group and company;
- consideration as to whether our audit procedures have identified events or conditions which may impact the going concern status of the group and company; and
- critically evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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 group's and 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 December 2023 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 group and company and their 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 in respect of the financial statements, 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 group's and 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 group or 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 group and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant Financial Conduct Authority's ('FCA') and Prudential Regulation Authority's ('PRA') regulations and guidance, 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. 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 the posting of manual journal entries to manipulate financial performance and the application of management bias in the assumptions underpinning significant accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management, internal audit and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing key correspondence with regulatory authorities (such as the PRA and the FCA);
- assessing matters reported through whistleblowing and reviewing management's consideration of matters raised, and their results;
- applying risk-based criteria to all manual journal entries posted in the audit period, including consideration of those involving an unusual combination of general ledger accounts;
- challenging assumptions and judgements made by management in their accounting estimates, in particular in relation to impairment of loans and advances to customers; and
- incorporating unpredictability into the nature, timing and/or extent of our testing.

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.

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 company 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 Board Audit Committee, we were appointed by the Directors on 6 September 2018 to audit the financial statements for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2018 to 31 December 2023.

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

OakNorth Bank plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.

"Bank" refers to standalone financial statements of OakNorth Bank plc

		Bank group	
	Note	2023 (£'000)	2022 (£'000)
Interest income	2	438,860	248,605
Interest expense	2	(169,664)	(47,936)
Net interest income	**2**	**269,196**	**200,669**
Fees and commission income	3	27,410	20,421
Net income from other financial instruments at FVPL	4	173	-
Net interest and fee income		**296,779**	**221,090**
Administrative expenses	5,6,8,9	(81,843)	(57,105)
Depreciation and amortisation	17,18,19	(2,490)	(887)
Provision for impairment losses		(25,113)	(10,762)
Operating expenses and provisions		**(109,446)**	**(68,754)**
Profit from ordinary activities before tax		**187,333**	**152,336**
Taxation	10	(48,863)	(39,077)
Profit after tax from ordinary activities		**138,470**	**113,259**
Other Comprehensive (expense) / Income			
Items that may be reclassified to profit and loss:			
Fair value changes on financial assets at FVOCI (net of tax)		32	(221)
Changes in cash flow hedge reserve (net of tax)	20	2,261	-
Changes in cost of hedging reserve (net of tax)	20	(56)	-
Total other comprehensive income/ (expense) for the year		**2,237**	**(221)**
Total comprehensive income for the year		**140,707**	**113,038**
Profit attributable to:			
Holders of ordinary shares of the Bank		136,357	112,069
Non-Controlling interest	30	2,113	1,190

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND COMPREHENSIVE INCOME (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 (£'000)	2022 (£'000)
Profit after tax from ordinary activities		**138,470**	**113,259**
Total comprehensive income attributable to:			
Holders of ordinary shares of the Bank		138,594	111,848
Non-Controlling Interest	30	2,113	1,190
Total comprehensive income for the year		**140,707**	**113,038**

Note: The profit for the year derives wholly from continuing operations. The notes on pages 89 to 125 form a part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2023

OakNorth Bank plc (registered number: 08595042)

“Bank Group” refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.

“Bank” refers to standalone financial statements of OakNorth Bank plc

		Bank group	
		2023 (£'000)	2022 (£'000)
Assets			
Cash and balances at central bank	12	1,637,314	1,235,711
Loans and advances to banks	13	38,474	42,127
Loans and advances to customers	14	3,817,344	3,127,950
Investment securities	15	237,660	204,005
Goodwill	16	11,647	11,647
Intangible assets	17	5,639	4,293
Tangible fixed assets	18	51	305
Right of use (“ROU”) assets	19	2,258	2,557
Derivative assets held for risk management	20	5,765	-
Current tax assets	10	2,136	-
Deferred tax assets (net)	10	367	1,012
Other assets	21	51,992	27,813
Total assets		**5,810,647**	**4,657,420**
Liabilities			
Customer deposits	22	4,639,352	3,613,260
Borrowings under BOE Term funding scheme	23	202,647	201,423
Tier 2 subordinated debt	24	30,141	49,778
Intercompany borrowings	25	11,953	-
Current tax liabilities	10	-	1,746
Trade payables and other provisions	26	19,780	12,873
Other liabilities	27	21,644	33,955
Total liabilities		**4,925,517**	**3,913,035**
Capital and reserves			
Called up share capital	28	389,320	389,320
Share-based payments		149	111

CONSOLIDATED BALANCE SHEET (CONT.)

AS AT 31 DECEMBER 2023

		Bank group	
		2023 (£'000)	2022 (£'000)
Retained earnings	29	487,565	351,208
Other comprehensive income relating to financial assets at FVOCI		56	24
Cash flow hedge reserve	20	2,261	-
Cost of hedging reserve	20	(56)	-
Non-controlling interests	30	5,835	3,722
Total equity		**885,130**	**744,385**
Total liabilities and equity		**5,810,647**	**4,657,420**

The notes on pages 89 to 125 form a part of these financial statements. The financial statements of OakNorth Bank plc and OakNorth Bank Group were approved by the Board of Directors and authorised for issue on 22 March 2024. They were signed on its behalf by:

Rishi Khosla
CO-FOUNDER & CHIEF EXECUTIVE OFFICER

Joel Perlman
CO-FOUNDER & SENIOR MANAGING DIRECTOR

Rajesh Gupta
CHIEF FINANCIAL OFFICER

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2023

OakNorth Bank plc (registered number: 08595042)
"Bank Group" refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.
"Bank" refers to standalone financial statements of OakNorth Bank plc

		Bank	
		2023 (£'000)	2022 (£'000)
Assets			
Cash and balances at central bank	12	1,637,314	1,235,711
Loans and advances to banks	13	33,458	37,507
Loans and advances to customers	14	3,816,140	3,127,493
Investment in subsidiary		14,250	14,250
Investment securities	15	237,660	204,005
Intangible assets	17	5,639	4,293
Tangible fixed assets	18	-	246
Right of use ("ROU") assets	19	2,258	2,557
Derivative assets held for risk management	20	5,765	-
Current tax assets	10	2,066	-
Deferred tax assets (net)	10	367	1,012
Other assets	21	44,918	22,962
Total assets		**5,799,835**	**4,650,036**
Liabilities			
Customer deposits	22	4,639,352	3,613,260
Borrowings under BOE Term funding scheme	23	202,647	201,423
Tier 2 subordinated debt	24	30,141	49,778
Intercompany borrowings	25	11,953	-
Current tax liabilities	10	-	696
Trade payables and other provisions	26	18,095	11,495
Other liabilities	27	21,608	33,855
Total liabilities		**4,923,796**	**3,910,507**
Capital and reserves			
Called up share capital	28	389,320	389,320
Share-based payments		149	111

COMPANY BALANCE SHEET (CONT.)

AS AT 31 DECEMBER 2023

		Bank	
		2023 (£'000)	2022 (£'000)
Retained earnings	29	484,309	350,074
Other comprehensive income relating to financial assets at FVOCI		56	24
Cash flow hedge reserve	20	2,261	-
Cost of hedging reserve	20	(56)	-
Total equity		**876,039**	**739,529**
Total liabilities and equity		**5,799,835**	**4,650,036**

Note 1: OakNorth Bank plc profit after tax for the year was £134.2 million (2022: £110.9 million).

The notes on pages 89 to 125 form a part of these financial statements. The financial statements of OakNorth Bank plc and OakNorth Bank Group were approved by the Board of Directors and authorised for issue on 22 March 2024. They were signed on its behalf by:

Rishi Khosla
CO-FOUNDER &
CHIEF EXECUTIVE OFFICER

Joel Perlman
CO-FOUNDER &
SENIOR MANAGING DIRECTOR

Rajesh Gupta
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

OakNorth Bank plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.

"Bank" refers to standalone financial statements of OakNorth Bank plc

Bank Group	Note	Called up Share Capital	Retained earnings	Financial assets at FVOCI	Cash flow hedge reserve	Cost of hedging reserve	Share-based payment	Non-controlling interests	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2022		**389,320**	**239,200**	**245**	**-**	**-**	**83**	**-**	**628,848**
Non-Controlling interest on acquisition of subsidiary		-	-	-	-	-	-	2,593	2,593
Profit for the year	29	-	112,069	-	-	-	-	1,190	113,259
Other comprehensive expense for the year		-	-	(221)	-	-	-	-	(221)
Employee share-based payments		-	-	-	-	-	28	-	28
Unwinding of investment in ASK entities		-	(61)	-	-	-	-	(61)	(122)
As at 31 December 2022		**389,320**	**351,208**	**24**	**-**	**-**	**111**	**3,722**	**744,385**
As at 1 January 2023		**389,320**	**351,208**	**24**	**-**	**-**	**111**	**3,722**	**744,385**
Profit for the year	29	-	136,357	-	-	-	-	2,113	138,470
Other comprehensive income/ (expense) for the year		-	-	32	2,261	(56)	-	-	2,237
Employee share-based payments		-	-	-	-	-	38	-	38
As at 31 December 2023		**389,320**	**487,565**	**56**	**2,261**	**(56)**	**149**	**5,835**	**885,130**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

"Bank Group" refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.
"Bank" refers to standalone financial statements of OakNorth Bank plc

Bank	Note	Called up Share Capital	Retained earnings	Financial assets at FVOCI	Cash flow reserve hedge	Cost of hedging reserve	Share-based payment	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2022		**389,320**	**239,200**	**245**	**-**	**-**	**83**	**628,848**
Profit for the year	29	-	110,874	-	-	-	-	110,874
Other comprehensive expense for the year		-	-	(221)	-	-	-	(221)
Employee share-based payments		-	-	-	-	-	28	28
As at 31 December 2022		**389,320**	**350,074**	**24**	**-**	**-**	**111**	**739,529**
As at 1 January 2023		**389,320**	**350,074**	**24**	**-**	**-**	**111**	**739,529**
Profit for the year	29	-	134,235	-	-	-	-	134,235
Other comprehensive income / (expense) for the year		-	-	32	2,261	(56)	-	2,237
Employee share-based payments		-	-	-	-	-	38	38
As at 31 December 2023		**389,320**	**484,309**	**56**	**2,261**	**(56)**	**149**	**876,039**

The notes on pages 89 to 125 form a part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

OakNorth Bank plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank plc and its subsidiary ASK Partners.

"Bank" refers to standalone financial statements of OakNorth Bank plc

		Bank Group		Bank	
	Note	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Profit from ordinary activities before tax		**187,333**	**152,336**	**181,707**	**149,519**
Adjustments for					
Changes to Non-cash items					
Depreciation and amortisation	17,18,19	1,895	887	1,869	860
Write-off of tangible and intangible assets	17,18	595	-	595	-
Other non cash expense	5	929	-	-	-
Net income from other financial instruments at FVPL	4	(173)	-	(173)	-
Expected credit loss allowance		25,113	10,762	25,113	10,762
Share-based payment to employees		38	28	38	28
Interest expense on lease liability	19	440	397	440	397
Interest income on investment securities (excluding US money market funds)	2	(10,202)	(2,060)	(10,202)	(2,060)
Interest expense on TFSME borrowing	2	9,359	2,946	9,359	2,946
Interest expense on subordinated debt	2	2,459	3,976	2,459	3,976
Interest expense on intercompany borrowings	2	293	-	293	-
Changes to operating assets & liabilities					
Net change in other assets/ liabilities	36	(30,857)	(14,137)	(27,948)	(11,993)
Increase in loan receivables		(714,507)	(251,805)	(713,760)	(251,950)
Increase in derivative assets held for risk management		(2,530)	-	(2,530)	-
Increase in customer deposits		1,026,092	969,657	1,026,092	969,657
Income taxes paid		(52,840)	(39,766)	(50,329)	(39,766)
Net cash flows generated from operating activities		**443,437**	**833,221**	**443,023**	**832,376**
Purchase of intangible assets	17	(2,961)	(4,358)	(2,961)	(4,358)
Purchase of tangible assets	18	(18)	(19)	-	(19)
Acquisition of subsidiary, net of cash acquired		-	(10,475)	-	(14,250)
Purchase of investment securities (excluding US money market funds)		(897,488)	(202,501)	(897,488)	(202,501)

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2023

		Bank Group		Bank	
	Note	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Proceeds from maturity of investment securities (excluding US money market funds)		905,244	191,000	905,244	191,000
Interest received on investment securities (excluding US money market funds)		623	1,076	623	1,076
Net cash flows generated from / (used in) investing activities		**5,400**	**(25,277)**	**5,418**	**(29,052)**
Increase in subordinated debt		30,000	-	30,000	-
Increase in intercompany borrowings		11,660	-	11,660	-
Repayment of subordinated debt		(50,000)	-	(50,000)	-
Interest paid on TFSME borrowings		(8,135)	(1,573)	(8,135)	(1,573)
Interest paid on subordinated debt		(1,938)	(3,876)	(1,938)	(3,876)
Cash outflow on lease liability (principal payment)	19	(686)	(1,050)	(686)	(1,050)
Net cash flows used in financing activities		**(19,099)**	**(6,499)**	**(19,099)**	**(6,499)**
Net increase in cash and cash equivalents		**429,738**	**801,445**	**429,342**	**796,825**
Cash and cash equivalents at beginning of year		1,277,838	476,393	1,273,218	476,393
Cash and cash equivalents at end of year		**1,707,576**	**1,277,838**	**1,702,560**	**1,273,218**
Reconciliation of cash and cash equivalents					
Cash and balances at central bank	12	1,637,314	1,235,711	1,637,314	1,235,711
Loans and advances to banks	13	38,474	42,127	33,458	37,507
Investment securities (US money market funds)	15	31,788	-	31,788	-
Total		**1,707,576**	**1,277,838**	**1,702,560**	**1,273,218**

The notes on page 89 to 125 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Accounting policies

The material accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding reporting year, unless stated otherwise.

1.1 General information and basis of accounting

OakNorth Bank plc (registered number: 08595042), herein referred to as 'OakNorth' or 'OakNorth Bank' or 'the Bank', is incorporated in the United Kingdom under the Companies Act 2006. The nature of OakNorth's operations and its principal activities are set out in the Strategic Report and Directors' Report. OakNorth Bank is a Public limited company- however the equity is not listed on an exchange. OakNorth Bank is a wholly owned subsidiary of OakNorth Holdings Limited, Jersey, herein referred to as 'Holding Company' (see note 37).

The financial statements have been presented both for OakNorth Bank (herein referred to as 'the Bank') standalone entity as well as on a consolidated OakNorth Bank Group (herein referred to as 'Bank Group') basis. Accounting policy disclosures referred throughout the Notes to the Financial Statements refer to OakNorth's accounting policies. References have been added where the accounting policy is also material to OakNorth Bank's subsidiary.

Both the Bank group consolidated, and Bank standalone financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) as defined by the UK Endorsement Board (UKEB) (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (classified as investment securities) that have been measured at fair value.

No individual 'Statement of profit and loss and comprehensive income' or related disclosures are presented for OakNorth Bank as permitted by Section 408 of the Companies Act 2006.

1.2 Reporting currency

The functional currency of the Bank and Bank Group is considered to be pounds sterling as that is the currency of the primary economic environment in which the OakNorth Bank Group operates. The financial statements are presented in pound sterling and rounded to thousands.

1.3 Statutory audit status of subsidiary

For the financial year ended 31 December 2023, OakNorth Bank's subsidiary, ASK Partners Limited is subject to statutory audit.

1.4 Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which OakNorth operates (its functional currency).

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates as at the balance sheet date and the translation gains or losses are recognised in the statement of profit & loss and comprehensive income. Income and expenses denominated in foreign currencies are converted into the functional currency at the exchange rate at the date of the transaction.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

1.5 Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that OakNorth Bank and its subsidiary have adequate resources to continue operating in the foreseeable future. In making this assessment, the Directors have considered –

- the available capital and liquidity resources and surplus over the requirements- the levels of which remain sufficiently robust;
- the credit quality of the loan book and overall balance sheet. The Board reviews the monthly credit MI packs to enable review and monitoring of the performance of the loan book and portfolio metrics as measured against the risk appetite limits;
- the adequacy of ECL provisions. The Board considers the macroeconomic assumptions, scenarios and weightings applied under the enhanced PD framework, which has loss data and scenarios calibrated using third-party sources, supplemented with the granular sub-sector level downside scenarios applied on the whole loan book using OakNorth's proprietary FLR framework, as comprehensive consideration to compute the ECL provisions as at 31 December 2023;

- the business strategy and its short term (12 month) and mid-range (3 year) financial plan which has considered the implications of the macroeconomic outlook and climate risk. The Board undertook a review of the Bank's strategy and believes that OakNorth has a robust business model to enable it to continue growing in the future;
- the risk appetite limits. The Board reviewed and approved tightening of a number of risk appetite metrics. OakNorth's performance against the metrics across all the risk areas remained well within limits;
- the stress testing and capital and liquidity planning performed as a part of the Internal Capital Adequacy Assessment Process (ICAAP) and Individual Liquidity Adequacy Assessment Process (ILAAP), which indicate adequate capital and liquidity buffers and ability to effectively manage stresses and resources. A number of severe and plausible scenarios were considered as part of the stress testing process including a combination of severe idiosyncratic and macroeconomic scenarios. Capital reverse stress tests were also assessed and reviewed by the Board, albeit the scenario was considered as unlikely and
- the resilience and adaptability of the Bank's operational and IT infrastructure. OakNorth's operational and IT infrastructure proved robust with no material issues noted.
- OakNorth's Bank's subsidiary, ASK Partners has adequate cash to fund its business operations and currently is not subject to any regulatory capital and liquidity requirements.

Information on OakNorth's business strategy, performance and outlook are detailed in the Chairman's Statement, Chief Executive's Review, and the Strategic Report. The Strategic Report further details the key risks faced by OakNorth and mitigants and provides an overview of the Bank's Risk Management Framework.

1.6 New standards, amendments, and interpretations

Standards, amendments, and interpretations issued applicable for 2023

Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2, Making Materiality Judgments were issued in relation to disclosure of material accounting policies. OakNorth has assessed the requirements of the amendments and there were no changes required to the accounting policy disclosures made by OakNorth. We believe that accounting policies detailed in these financial statements provide the information necessary for the users to understand all material information and disclosures in the financial statements. These include, but are not limited to:- accounting policies related to material P&L and Balance sheet line items, complex accounting matters even where the impact is not material, areas of significant judgements/ estimates/ assumptions, accounting policy choice adopted (where applicable), any changes to accounting policy that has resulted in a material change to the information in the financial statements and any accounting policies material to OakNorth's subsidiary.

Following new standard became applicable which did not have an impact on OakNorth : - IFRS 17 guidance on accounting for insurance contracts.

Standards, amendments, and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and amendment to accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting year and have not been early adopted by OakNorth. These include:-

- Lease Liability in a Sale-and-Leaseback (Amendments to IFRS 16, Leases)
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)
- Supplier Finance Arrangements (Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures)
- Lack of exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)

These standards, amendments or interpretations are not expected to have a material impact on OakNorth.

1.7 Basis of Consolidation

The "Bank Group" financial statements presented herein comprise the financial statements of OakNorth Bank and its subsidiary ASK Partners Limited as at 31 December 2023.

The financial statements are consolidated based on an assessment of "control" in accordance with IFRS 3. Control is primarily achieved when OakNorth has the necessary majority voting rights to influence decisions at the board of the subsidiary undertaking. Additional factors that are considered and assessed include: influence over/ exposure to variable returns from the investee, power to direct activities.

We account for business combinations using the acquisition method. The amount of non-controlling interest can be measured at fair value or as the non-controlling interest's proportionate share of the identifiable net assets. This decision is made on an acquisition-by-acquisition basis. Post-acquisition, all income and expenses are included in the consolidated income statement on a line-by-line basis and all intra-group transactions are eliminated on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with OakNorth's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In the event of loss of control, OakNorth derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at cost in accordance with the applicable IFRS standards.

1.8 Operating segments

OakNorth offers lending products to borrowers across different sectors. However, we currently do not operate different business divisions/ operating segments. The business operates as a single integrated unit with all other functions such as liquidity management, deposits and other support functions supporting the growth of the lending business. The subsidiary of OakNorth Bank is also a specialist lender providing bespoke lending solutions, and therefore no separate reportable operating segment was considered specifically for the subsidiary.

1.9 Financial instruments

Recognition and derecognition of financial instruments

Financial instruments excluding investment securities and derivative assets and liabilities are recognised at trade date, being the date on which OakNorth commits to purchase or sell the instruments. Loans and advances, deposits, borrowings, and subordinated liabilities are recognised at fair value on the date of origination. Investment securities including debt and money market funds and derivative assets and liabilities are recognised at fair value on the date of settlement. Management determines the classification of financial assets at initial recognition based on the applicable accounting standards.

Financial assets are de-recognised when the rights to receive cash flows have expired or substantially all the risks and rewards of ownership have been transferred. Financial liabilities are derecognised from the balance sheet when OakNorth has discharged its obligations, the contract is cancelled, or the contract expires.

Loan modifications

OakNorth may renegotiate/ modify the contractual cash flows of the loans to customers. Accordingly, we assess whether the new terms are substantially different from the original terms. This includes whether – borrower is in financial difficulty or not, the new terms substantially affect the purpose/ risk profile of the loan, significant extension of the loan when the borrower is not under financial difficulty, significant changes in the interest rate, collaterals/ credit enhancements associated with the loan or any other factors that may be relevant to the loan.

Where the terms are substantially different, the Bank derecognises the old asset and recognises the new financial asset at a new effective interest rate (EIR). We also assess whether the new loan is deemed credit impaired at initial recognition. Where the terms are not substantially different, the differences in carrying amount are recognised in the statement of profit & loss and comprehensive income as modification gain/ loss.

Loan write-off

Loans may be written off either partially or fully when there is no realistic prospect of recovery. This is generally after receipt of any proceeds from the realisation of security and can also be in cases where, based on the assessment of the net realisable value of the collateral, there is no reasonable expectation of further recovery. This may include loans that are still subject to enforcement activity.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, on the measurement date. This is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques. These may refer to observable market data, comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. However, some of the inputs to the techniques may be based on unobservable data, e.g., in case of unlisted entities, if there is little or no current market data available, in which case valuation adjustments are done to reflect uncertainties in fair values resulting from a lack of market data inputs.

Fair value hierarchy

Fair value of the financial instruments is measured using the following fair value hierarchy, which reflects the significance of the inputs used in determining the valuation.

Level 1 financial instruments – valuation is based on unadjusted quoted market prices in an active market for identical assets or liabilities that we have access to at the measurement date.

Level 2 financial instruments – valuation derived either directly or indirectly from observable market data. This may include quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets and or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3 financial instruments – valuation derived from inputs that are unobservable or include one or more unobservable input that is significant to the measurement as whole.

Amortised cost and effective interest rate (EIR) method

Amortised cost is the amount at which the financial instrument is measured at initial recognition, less the principal repayments, cumulative (net) amortisation using effective interest rate method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance for financial assets.

Where there is a change in the estimates of the future cash flows, the carrying amount of the financial instrument is adjusted to reflect the new estimated cash flows discounted using the original EIR. Any changes are recognised in statement of profit & loss and comprehensive income.

Classification of financial instruments under IFRS 9

The financial assets are classified into the following categories under IFRS 9

- Measured at amortised cost
- Measured at fair value through other comprehensive income (FVOCI)
- Measured at fair value through profit or loss (FVPL)

The criteria applied to determine the classification and measurement is as follows:

Business model test: Whether an entity manages the financial assets to generate cash flows by collecting contractual cash flows or selling financial assets, or both. To determine the classification, we use both past experience and intent of how the asset is expected to be managed/ held. As such, currently OakNorth originates loans to collect the contractual cash flows.

SPPI test: whether contractual cash flows only comprise of solely principal and interest payments (SPPI) per the basic lending arrangements; interest includes only consideration for the time value of money, credit risk, cost of funding and a profit margin consistent with a lending arrangement.

OakNorth has measured assets that meet the business model test of holding the assets for collection of contractual cash flows and meet the SPPI test, at amortised cost.

Loans and advances to customers

Loans and advances to customers are classified as held at amortised cost, in line with the criteria defined under IFRS 9. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using EIR method. Loans and receivables are stated after deduction of amounts which are required as expected credit loss allowance. Policy in relation to determination of the ECL allowance are detailed separately in the Notes to the financial statements.

Investment in securities

Investment in securities held by OakNorth may be classified as held at amortised cost, FVOCI or FVPL. Currently the investment securities held by OakNorth is composed of UK gilts & Treasury bills and US Money market fund investment. While these securities are held to collect contractual cashflows, these may be sold if the need arises for the purposes of liquidity management by the Treasury function of OakNorth. The cash flows on these securities also meet the SPPI test. Therefore, the securities have been classified as FVOCI.

Investment securities held at FVOCI are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at fair value with gains/ losses recognised in other comprehensive income. Interest is calculated using EIR method. Impairment losses are required to be recognised by transferring the expected credit loss that has been recognised directly in equity to statement of profit & loss and comprehensive income. If, in a subsequent period, the fair value increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value is recognised directly in equity since it cannot be reversed through the statement of profit & loss and comprehensive income.

No debt securities are held at FVPL as there are no eligible instruments held for trading under the current business model.

Reclassification of investment securities between categories is done only when the business model for managing those assets changes. No such changes occurred during the year.

Fair Value hierarchy in relation to measurement of fair value of investment securities: Investment securities are classified as Level 1 if their value is evidenced by a quoted price in an active market where the transactions occur on arm's length basis with sufficient volume and frequency.

Investment securities are valued at the quoted market prices and any changes to the fair value is recorded in other comprehensive income.

Financial liabilities

All financial liabilities on the balance sheet of OakNorth Bank are classified and subsequently measured at amortised cost.

Expected credit loss charge on assets held at amortised cost

OakNorth Bank assesses on a forward-looking basis, the Expected Credit Loss (ECL) on the financial assets held at amortised cost and FVOCI, including the exposure arising from loan commitments. This includes provision for lifetime ECL where the risk on the asset has significantly increased.

Definition of ECL

Credit loss is defined as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all cash flows that the entity expects to receive (i.e., all cash shortfalls), discounted at the original effective interest rate over the expected life of the financial instrument. Under IFRS 9, expected credit losses is required to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

Components of ECL and key areas of judgement

ECL is computed as: exposure at default (EAD) x probability of default (PD) x loss given default (LGD). Depending on the staging of the loan, the ECL is either 12 month or lifetime. The ECL assessment is done at an individual loan level. ECL amount is discounted at the loan's interest rates.

Several significant judgements are required for measurement of ECL. This includes:

- Determining the criteria for significant increase in credit risk (SICR), in addition to the backstop triggers specified under IFRS 9;
- Choosing appropriate PD/LGD framework and assumptions; and
- Determining forward-looking scenarios and weightings

Exposure at default (EAD)

EAD includes all current outstanding balances, interest due and judgement-based estimates of drawdowns on undrawn loan commitments.

Staging approach based on credit quality of loans

IFRS 9 requires the loans to be classified into 3 stages for assessment of impairment:

- Financial instruments that are not credit impaired at initial recognition are classified as 'Stage 1'. Instruments in Stage 1 have ECL measured for next 12 months. These accounts are monitored monthly to ensure that there is no significant increase in the credit risk. Where there is an increase in the credit risk, the account is re-assessed and moved into Stage 2 if triggers are met.
- Financial instruments where there is significant increase in the credit risk are classified as 'Stage 2'. The ECL for Stage 2 accounts is measured on a lifetime basis.
- Financial instruments that are deemed credit-impaired are classified as Stage 3. The ECL for Stage 3 accounts is also measured on a lifetime basis.

OakNorth does not have any purchased or originated credit-impaired (POCI) assets – i.e., financial assets that have been purchased and had objective evidence of being "non-performing" or "credit impaired" at the point of purchase.

The criteria for stage 2 and 3 are determined in accordance with the credit policies detailed under the Credit Risk Management Framework. The policies consider both quantitative and qualitative triggers in addition to the IFRS 9 backstop criteria of 30 days past due for Stage 2 and 90 days past due for Stage 3.

Stage 2 SICR triggers include actual or expected deterioration of financial covenant headroom, financial performance and cover ratios, cash position, quality of collaterals; additional triggers for real-estate backed loans include decline in collateral values, cost over-runs, material threats to the project or project delays, and any other new qualitative information available on the borrower via our early warning sign (EWS) process.

Stage 3 criteria include objective impairment triggers, which include significant financial difficulty of the borrower, probability that the borrower will enter bankruptcy, breach of contract, significant deterioration in collateral valuation where repayment of the loans is solely dependent on the sale of such collaterals, or any other factors as the CRMC deems relevant which may result in the borrower unlikely to pay.

We do not apply automatic 'PD' based migration criteria to assess SICR and transition to Stage 2 or 3. The Bank also does not apply portfolio-level assessment of SICR. SICR is assessed for each individual loan and all staging changes are subject to CRMC approvals.

For loans that breach the SICR triggers, the Bank further determines whether the credit risk on the loan is sufficiently low as at the reporting date. The credit risk on a loan is considered low for the purposes of the IFRS 9 requirements if it has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. In cases where the credit risk on the loan is assessed as sufficiently low, the staging change to Stage 2 or 3 is not done.

Probability of default (PD)

Probability of default (PD) is the likelihood that a borrower will fail to pay back a debt.

OakNorth uses a combination of internally developed and third-party models to calibrate the PD and LGD for each of the loans. These PD and LGD models leverage historic industry default data and process borrower financial information and qualitative factors to estimate borrower PDs and LGDs.

The models consider both quantitative and qualitative assessment of each individual exposure, which includes (but is not limited to) information on key financial metrics, business performance, the quality of collaterals, business, and borrower profile. The additional risk analysis results in calculation and application of 'qualitative adjustment' factors, that are applied in calculation of the final PD score.

In accordance with the IFRS 9 requirements, point-in-time (PIT) scenario-weighted PDs are applied in the ECL calculations. We use statistical analysis of the through-the-cycle (TTC) PDs under a combination of macroeconomic variables, to obtain PIT PDs.

Further details on PD modelling, inputs and scenario assumptions are provided in the "Credit Risk" section pages 58 to 61.

Loss given default (LGD)

Loss given default (LGD) is defined as the percentage exposure at risk that is not expected to be recovered in an event of default.

We calibrate the LGD primarily using external LGD modelling solutions. The solution incorporates the assumptions of impact on the collateral values, factoring any costs of sales. Limited judgement-based haircuts have been applied on certain eligible collateral for the business trading book. The actual experience of the Bank in realising collaterals may differ.

Forward looking macroeconomic scenarios and scenario weightings

Judgements are applied in the choice of macroeconomic scenarios and scenario weightings. These are detailed in the "Credit Risk" section pages 58 to 61.

We use externally sourced macro-economic scenarios, adjusted for management views and judgement using the FLR approach.

1.10 Cash and cash equivalents

Cash and cash equivalents include unencumbered balances with the central bank, amounts due from other banks with a maturity of less than three months and US Money Market funds that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

1.11 Sale and repurchase transactions

Securities sold by the Bank under agreements to repurchase continue to be recognised as assets on the balance sheet and the associated liability is also recognised on the balance sheet. Similarly, securities purchased under commitments to sell are not recognised on the balance sheet. There are no sale and repurchase transactions outstanding as at 31 December 2023 (2022: Nil).

1.12 Bank of England Term Funding Scheme for SMEs (TFSME)

OakNorth is an approved participant under the TFSME scheme. The borrowing is collateralised against UK gilts and Treasury bills. As OakNorth retains the ownership of the eligible collateral assets, and therefore, all associated credit risks and ownership of the cash flows from those assets – any collateral placed with the Bank of England continue to be recognised as an asset on the balance sheet and any funding raised is recognised as liability. The liability is measured at amortised cost under IFRS 9.

1.13 Derivatives held for risk management purposes

OakNorth enters into derivative transactions primarily for risk management purposes. All derivatives are measured at fair value (Level 2) in the statement of financial position.

The Bank designates derivatives held for risk management as hedging instrument in qualifying hedging relationships. On initial designation of the hedge, the Bank documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Below is the summary of current hedging strategy and risk management objective of the Bank:

Strategy	Hedging instruments and underlying hedged items	Objective of strategy
Cash flow hedge	Interest rate risk on floating rate assets	Cash flow hedges of interest rate risk relate to exposures to the variability in future interest receipts due to the movement of benchmark interest rates. This variability in cash flows is hedged by interest rate swaps, which convert variable cash flows into fixed. For these cash flow hedge relationships, the hedged items are variable interest rate cash flows arising from floating rate financial assets with interest rates linked to the Bank of England Official (BoE) Bank Rate. The variability in cash flows due to movements in the relevant benchmark rate is hedged. The Bank determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenure, repricing dates, and maturities and the notional or par amounts. The Bank assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item under the hypothetical derivative method. In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items. The Bank applies a hedge ratio of 1:1.

Strategy	Hedging instruments and underlying hedged items	Objective of strategy
Fair value hedge	Currency risk on USD loans to customers and USD money market funds	The Bank hedges the foreign currency risk component of its USD loans to customers and USD money market fund investments with floating-to-floating cross currency interest rate swaps and applies fair value hedge accounting to these hedges. The Bank designates the spot element of CCIRS to hedge its foreign currency risk and applies a hedge ratio of 1:1. The currency basis spread of the derivatives are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The bank's policy is for the critical terms of the hedging instrument is to align with the hedged item. The Bank determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount, and timing of their respective cash flows. The Bank assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item. In accordance with its hedging strategy, the Bank matches the principal of the hedging instruments to the principal of the hedged items. The Bank applies a hedge ratio of 1:1.

The main sources of hedge ineffectiveness for interest rate risk and foreign currency risk hedge accounting relationships are:

Interest rate basis: The floating interest benchmark rate on the hedging instrument is SONIA while that of the hedge item is Bank of England (BoE) rate.

Timing of cash flows: There are differences in timing of cash flows between the hedged item and hedging instrument.

Embedded interest rate floor: to the extent that a hypothetical derivative representing the hedged item includes a forecast interest rate that could go below the floor rate, this may potentially cause some hedge ineffectiveness.

1.14 Tangible fixed assets

Fixtures, fittings and office equipment and Computer and IT equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Computer and IT equipment includes laptops and desktops.

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Fixtures, fittings, and office equipment	**5 years**
Computers and IT equipment	**3 – 5 years**
Leasehold improvements	**lesser of the lease term or useful life**

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting year, with the effect of any changes in estimate accounted for on a prospective basis.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales' proceeds and the carrying amount of the asset and is recognised in income.

1.15 Intangible assets and Goodwill

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities, and contingent liabilities of the acquiree and the value of the non-controlling interest in the acquiree. Goodwill is initially measured at cost. After initial recognition, goodwill is not amortised and is tested for impairment at the end of each reporting year.

Goodwill recognised by OakNorth pertains to its subsidiary ASK Partners, which is recognised as an individual cash-generating unit (CGU) and the CGU is tested for impairment on an annual basis. The residual value of CGU is computed by discounting the future cashflows and compared to the carrying value of CGU including Goodwill. In case the residual value is lower than the carrying value, the Goodwill is first impaired followed by other assets in the CGU. Impairment loss is recognised as an expense immediately in the statement of profit and loss.

Software

Purchased software is recognised at cost of acquisition. Internally developed software is initially capitalised at cost which includes directly attributable costs of preparing the asset for its intended use. Cost associated with development of the banking platform that we use to service our loans and deposits products are capitalised.

Subsequent to initial recognition, software assets are reported at cost less accumulated amortisation and impairment.

Amortisation of software is recognised on a straight-line method in profit or loss over the estimated useful life less any residual value, from the date on which it is available for use. The estimated useful life is generally assessed between 3 to 5 years.

The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimates accounted for on a prospective basis.

Other intangible assets as part of acquisitions

Other identifiable intangible assets may arise as part of business combinations. These may include marketing related intangibles (trademarks, internet domain), customer contracts / customer relationships, etc.

The value of these intangibles is assessed in accordance with the methodologies prescribed under IFRS, including whether these have finite or infinite life.

For intangibles with finite life, assessment of useful life is done on a case-by-case basis. There are currently no intangible assets recognised as part of acquisitions.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from asset in use. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each balance sheet date, the carrying value of the tangible and intangible assets is reviewed to determine whether there is any indication of impairment. If any such indication exists, the carrying value of the asset is compared to the recoverable amount, which is the higher of fair value less costs to sell and value in use. There may be other qualitative factors also considered in the assessment depending on the relevance to the asset.

If the carrying value exceeds the recoverable amount, an impairment loss is recognised immediately in profit or loss and the carrying value of the asset is reduced to that extent. Where an impairment loss subsequently reverses, the carrying value of the asset is increased only to the extent that would not exceed the carrying value of the asset that would have been determined had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

1.16 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-Use ("ROU") asset and a lease liability are recognised at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

The lease liability is initially measured at the present value of lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, OakNorth's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not be exercised.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ROU assets and lease liabilities are recognised for most leases, except for leases that are low-value (less than £100k annual cost), in which case the lease payments are expensed on a straight-line.

1.17 Revenue recognition

Interest income and interest expense are recognised in the statement of profit & loss and comprehensive income as accrued using Effective Interest Rate (EIR) method. The EIR is the rate which discounts the expected future cash flows, over the expected life of the financial instrument, to its net carrying value. Fees which are an integral part of the EIR of a financial instrument are amortised over the expected life of the instrument. Transaction costs associated with originating borrowings that are integral to the EIR, are amortised over the life of the borrowing. No cost associated with originating financial assets are deferred. When calculating the EIR, future cash flows are estimated considering all contractual terms of the financial instruments but not the credit losses. The EIR is established on initial recognition (or upon reclassification) of the financial asset and liability and is not revised subsequently. For financial assets that are subsequently deemed as credit-impaired, interest income is calculated by applying the EIR to their amortised cost net of expected credit loss provision.

Fees and commission recognised in the statement of profit & loss and comprehensive income include: fees arising from transactions or services that are performed over a period of time and are recognised over the life of these transactions or services- this includes fees charged on any undrawn commitments which is applicable over the life of the commitment; and fees relating to services provided in a single act or point in time and are recognised when the single act is completed.

For our subsidiary ASK Partners which acts as a loan originator and servicer, revenue from fees is recognized when it's probable that economic benefits will flow to the entity, and the amount of revenue can be reliably measured. This is usually when services are performed, and the entity has a right to consideration.

The revenue recognition policy is consistently applied to both the Bank and its subsidiary. There are no material judgements applied in relation to revenue recognition.

1.18 Employee benefits

Pension scheme costs

The Bank offers a defined contribution pension scheme for its employees. Any contributions made are charged to operating expenses as incurred.

Share-based payments

OakNorth Holdings Limited's (the ultimate Holding company of the Bank) employee benefit trust issues growth shares and gives share options to the employees, subject to vesting conditions. The vesting is subject to business performance conditions and other employment conditions which must be met. The expenses are recognised in the P&L for the fair value of the shares over the vesting period by credit to equity. If an employee leaves, the unvested shares are bought back by the employee benefit trust and the reserves in equity are reversed.

1.19 Charitable donations

Charitable donations are accounted for as an expense when paid and included as a part of the operating expenses in the statement of profit & loss and comprehensive income.

1.20 Other Provisions (excluding expected credit loss provision)

Provisions are recognised when there is a present obligation (legal or constructive) as a result of a past event; and it is highly probable that we will be required to settle that obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the obligation at the balance sheet date, considering any risks and uncertainties in relation to the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, where the effect of time value of money is material, the carrying amount is computed as the present value of those cash flows.

1.21 Taxation

Current tax comprises expected tax to be paid (or recovered) on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and any adjustments. In the UK, this includes additional levies such as the Banking Corporation Tax Surcharge of 8% which are levied on a bank's taxable profits over £25 million till 31 March 2023. From 1 April 2023, the surcharge rate has been reduced from 8% to 3% prospectively and the surcharge allowance limit available for banking groups has been increased from £25 million to £100 million.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that, based on all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

1.22 Share capital and reserves

Issued share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs, if any, directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Non-Controlling Interest (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Post acquisition, profit or loss and each component of other comprehensive income (OCI) are attributed to NCI, even if this results in the non-controlling interests having a deficit balance.

Fair value reserves

The fair value reserves comprise of the cumulative net change in the fair value of investment securities measured at FVOCI.

Cash flow hedge reserves

The cash flow hedge reserve comprises of the effective portion of changes in the fair value of a financial instrument designated as a hedging instrument. Amounts accumulated in the cash flow hedge reserve are reclassified to the statement of profit and loss in the periods in which the hedged cash flows affect profit or loss.

Cost of hedging reserve

The cost of hedging reserve includes the effects of changes in fair value of the foreign currency basis spread of a financial instrument when the foreign currency basis spread of a financial instrument is excluded from the designation of that financial instrument as the hedging instrument (consistent with the Bank's accounting policy to recognise non-designated component of CCIRS in equity).

The changes in fair value of the currency basis spread of a financial instrument, in relation to a time-period related hedged item accumulated in the cost of hedging reserve, are amortised to profit or loss on a rational basis over the term of the hedging relationship.

Share based payments

The capital contribution represents the fair value of the shares and options granted by OakNorth's Holding company's employee benefit trust, to the employees of OakNorth. These are recognised as credit to equity over the vesting period.

1.23 Critical accounting judgements and key sources of estimation uncertainty

In the application of OakNorth's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are 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 following are the critical judgements and estimation uncertainty, that the Directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Areas of judgement impacting measurement of ECL - These include:- determining the criteria for significant increase in credit risk (SICR), in addition to the backstop triggers specified under IFRS 9; choosing appropriate PD/LGD framework and models, including underlying qualitative and quantitative variables and factors that are used to calibrate these models; selection of macroeconomic forecasts; and, selecting and applying weightings to recovery strategies and estimating recoverable cash flows for impaired loans.

Please also see following notes:

- Determining the staging of the loans – please see note 1.9
- Probability of default – please see note 1.9
- Loss given default- please see note 1.9

Areas of accounting estimates in measurement of ECL

Forward looking macroeconomic scenarios- please see section "Credit Risk" pages 58 to 61.

2. Net interest income (Bank Group)

	2023 (£'000)	2022 (£'000)
Interest income		
Cash and balances at Central bank and other banks	66,235	11,083
Loans and advances to customers	361,661	235,462
Investment securities at FVOCI	10,964	2,060
Total interest income	**438,860**	**248,605**
Interest expense		
Customer deposits	157,304	41,014
Borrowings under BoE TFSME	9,359	2,946
Tier 2 subordinated debt	2,459	3,976
Intercompany borrowings	293	-
Derivatives in a qualifying hedging relationship	249	-
Total interest expense	**169,664**	**47,936**
Net interest income	**269,196**	**200,669**

Interest Income on Investment securities at FVOCI includes (£1.9) million of amortisation of discount/ premium for 2023 (2022: (£1.3) million). Interest expense on Tier 2 subordinated debt includes £0.7 million of amortisation of discount and issue expenses for 2023 (2022: £0.1 million).

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities.

	2023 (£'000)	2022 (£'000)
Financial assets measured at amortised cost	5,493,132	4,363,661
Financial assets measured at FVOCI	237,660	204,005
Total	**5,730,792**	**4,567,666**
Financial liabilities measured at amortised cost	4,884,093	3,864,461

3. Fee and commission income (Bank Group)

The fee and commission income entirely include fee income earned on lending activities. See note 1.17 for further details on revenue recognition.

4. Net income from other financial instruments at FVPL (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Net income from financial instruments at FVPL		
Ineffective portion of derivatives held for risk management		
Interest rate swaps	(3)	-
Cross currency interest rate swaps	176	-
Total	**173**	**-**

5. Administrative expenses (Bank Group)

	2023 (£'000)	2022 (£'000)
Staff cost (refer note 6)	39,858	28,161
Professional, legal and consultancy	27,045	19,512
IT cost	6,383	5,271
Office and premises cost	2,657	1,565
FSCS levy (see note 9)	312	177
Foreign exchange loss / (gain)	198	(29)
Other expenses	5,390	2,448
Total	**81,843**	**57,105**

Professional, legal and consultancy cost includes cost recharges from group entities. Please see note 32. Other expenses include provision created on receivables in the subsidiary accounts as at 31 December 2023 for £929K (2022: Nil).

The analysis of the Auditors' remuneration (excluding VAT) is as follows. The expense is included in Professional, legal, consultancy and IT cost.

	2023 (£'000)	2022 (£'000)
Fees payable to Bank's for the audit of consolidated financial statements	565	313
Total audit fees	**565**	**313**
Audit of the financial statements of the Company's subsidiary	175	-
Fees payable to Bank's auditors' for Client Assets Sourcebook (CASS) audit	12	4
Fees payable to Bank's auditors' for Tier-2 comfort letter	70	-
Fees payable to Bank's auditors' for Interim profit verification	70	-
Total assurance related fees	**327**	**4**
Total fees to auditors'	**892**	**317**

6. Staff numbers and costs (Bank Group)

The average number of employees (including executive and non-executive Directors) was:

	2023	2022
Average number of employees	228	146

Their aggregate remuneration comprised:

	2023 (£'000)	2022 (£'000)
Wages and salaries	33,713	23,976
Social security & pension costs	5,611	3,790
Share-based payment	38	28
Other costs & statutory levies	496	367
Total	**39,858**	**28,161**

The above remuneration costs are stated net of cost recharge to other OakNorth companies and net of software capitalisation costs. During the year the Bank Group made £582K (2022: £407K) of contributions respectively towards a pension scheme for employees.

7. Share-based payments (Applicable to Bank only)

OakNorth currently operates a restricted employee share scheme (ESS) and an employee stock option scheme (ESOP) for eligible employees of OakNorth.

In case of ESS, shares with restrictions such as vesting are issued to the employees. In case of ESOP, options are granted whereby the employee can buy ordinary shares of the Holding company at a later date on a pre-agreed price. Both the schemes are equity settled and the economic benefit will flow to the employees on an exit event i.e., share sale or listing.

The shares under these schemes vest over a period of five to six years. For the five- year scheme, vesting is 20% per annum. For the six-year scheme, vesting commences only from year three at 50%, thereafter, increasing equally per annum. If an employee leaves, the unvested shares are forfeited.

During the year as detailed below, transfers comprised of ESS/ ESOP for staff who joined the Bank during the year from other sister companies. Buyback were done for certain tenured staff on an exceptional basis.

Below is the reconciliation of outstanding share under ESS and ESOP schemes

	2023		2022	
	ESS (Nos in 000s)	ESOP (Nos in 000s)	ESS (Nos in 000s)	ESOP (Nos in 000s)
Outstanding at the beginning of the year	**2,407**	**623**	**2,509**	**576**
Granted during the year	-	188	-	95
Forfeited during the year	(203)	(101)	(102)	(48)
Transfers from sister companies during the year	15	823	-	-
Buyback during the year	(402)	-	-	-
Outstanding at the end of the year	**1,817**	**1,533**	**2,407**	**623**
Vested during the year	327	274	398	108
Exercisable at the end of the year	1,172	382	845	108

8. Directors' remuneration and transactions (Applicable to Bank only)

Bank	2023 (£'000)	2022 (£'000)
Directors' remuneration		
Emoluments [1]	4,515	4,272
Share-based payment	1	1
Other taxable benefits	86	75
Net amount expensed to statement of profit & loss and comprehensive income	**4,602**	**4,348**
Remuneration of highest paid director:		
Emoluments	2,338	2,153
Other taxable benefits	67	60
Net amount expensed to statement of profit & loss and comprehensive income	**2,405**	**2,213**

[1] £1K was paid for one director to whom, retirement benefits are accruing under money purchase pension schemes in respect of qualifying services (2022: £1K)

The above remuneration is reported as net excluding any cost recharges for the time spent by the Directors for other group companies. Total number of share-based payments granted to the Directors was Nil in 2023 (2022: Nil shares). The expense recognised above is recognised over the vesting period (refer note 7 for details of the scheme). The total number of shares forfeited during the year were Nil (2022: Nil shares).

Directors' advances, credits, and guarantees: Details of transactions with Directors during the year are disclosed in note 32. There were no loans, credits or guarantees issued to the Directors during the year (2022: Nil).

9. Financial Services Compensation Scheme "FSCS" (Applicable to Bank only)

As a regulated UK deposit-taker, the Bank pays levies to the FSCS which offers protection to individual deposit holders on amounts up to £85,000 (applicable as at 31 December 2023). The FSCS levy covers management expenses and compensation levies. In addition to the overall levy, FSCS also recovers costs, capital and interest costs associated with any "Specified Deposit Default (SDD) levy".

During 2023, there was a net charge of £312K (2022: £177K). A total payment of £218K was made in respect of all FSCS levies during the year (2022: £185K).

10. Taxation (Bank Group)

	2023 (£'000)	2022 (£'000)
The tax charge comprises of		
Total current and deferred tax	**48,863**	**39,077**
Factors affecting tax change for the current year		
Profit on ordinary activities before tax	187,333	152,336
Tax at standard UK corporation tax rate of 23.5% (19% till March 23 and 25% with effect from 1 April 23)	44,023	28,944

	2023 (£'000)	2022 (£'000)
Effects of:		
Expenses not deductible for tax purposes	105	140
Adjustments in respect of prior years	(247)	(8)
Timing differences at 23.5% for current tax (2022:19%) and 28% for deferred tax (2022: 28%)	(86)	123
Tax refund relating to prior years	-	(122)
Bank surcharge tax	5,068	10,000
Total tax charge for the year	**48,863**	**39,077**
Analysis of tax charge on ordinary activities		
UK corporation tax	49,645	39,054
Adjustment in respect of prior years	(557)	(101)
Deferred tax (refer movement below)		
Current year – statement of profit & loss and comprehensive income	(449)	30
Adjustment in respect of prior years	310	(29)
Effect of rate changes in respect of prior years	(86)	123
Total tax charge – Statement of profit & loss and comprehensive income	**48,863**	**39,077**
Total tax credit – Equity	**(870)**	**107**

Net tax recoverable/ (payable) and Net deferred tax asset	2023 (£'000)	2022 (£'000)
Balance sheet provision for taxes payable	85,123	39,562
Balance sheet provision for tax recoverable on behalf of group entities	(189)	(516)
Advance tax paid	(87,070)	(37,300)
Net tax (recoverable)/ payable	**(2,136)**	**1,746**
Net Deferred tax asset	**367**	**1,012**
To be recovered within twelve months	231	512
To be recovered after twelve months	136	500

2023				Balance at 31 December		
	Net balance at 1 January (£'000)	Recognised in profit or loss (£'000)	Recognised in OCI (£'000)	Net (£'000)	Deferred tax assets (£'000)	Deferred tax liabilities (£'000)
Movement in deferred tax balances						
Property and equipment, and intangible assets	318	11	-	329	329	-
Investment securities at FVOCI	(8)	-	(14)	(22)	-	(22)
Unpaid bonus and pension	483	530	-	1,013	1,013	-
Share-based payments	(2)	11	-	9	9	-
Allowance for expected credit losses	73	(13)	-	60	60	-
Allowance for IFRS transitional adjustment	148	(28)	-	120	120	-
Adjustment for Research & Development Expenditure Credit (RDEC)	-	(286)	-	(286)	-	(286)
Cash flow hedge reserve	-	-	(878)	(878)	-	(878)
Cost of hedging reserve	-	-	22	22	22	-
Deferred tax asset/ (liabilities)	**1,012**	**225**	**(870)**	**367**	**1,553**	**(1,186)**
Net deferred tax asset/ (liabilities)					**367**	

2022				Balance at 31 December		
Bank Group	Net balance at 1 January (£'000)	Recognised in profit or loss (£'000)	Recognised in OCI (£'000)	Net (£'000)	Deferred tax assets (£'000)	Deferred tax liabilities (£'000)
Movement in deferred tax balances						
Property and equipment, and intangible assets	359	(41)	-	318	318	-
Investment securities at FVOCI	(115)	-	107	(8)	-	(8)
Unpaid bonus and pension	541	(58)	-	483	483	-
Share-based payments	(10)	8	-	(2)	-	(2)
Allowance for expected credit losses	97	(24)	-	73	73	-
Allowance for IFRS transitional adjustment	157	(9)	-	148	148	-
Deferred tax asset/ (liabilities)	**1,029**	**(124)**	**107**	**1,012**	**1,022**	**(10)**
Net deferred tax asset/ (liabilities)					**1,012**	

During the year the Bank Group was subject to Corporation tax rate of 19% till 31 March 2023 and 25% from 1 April 2023. Additionally, the Bank was subject to the Banking Corporation Tax Surcharge of 8% levied on the annual taxable profits of banking companies over £25 million till 31 March 2023, which was reduced to 3% levied on the annual taxable profits of banking companies over £100 million from 1 April 2023. As a result, the effective tax rate for the year ended 31 December 2023 was 26% (2022: 26%).

There are no known tax legislation changes as at the date of signing of the financial statements.

11. Classification of financial assets and financial liabilities (Bank Group and Bank)

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2023 (£'000)	Bank Group				Bank			
	FVPL	FVOCI	Amortised cost	Total carrying amount	FVPL	FVOCI	Amortised cost	Total carrying amount
Cash & balance at central banks	-	-	1,637,314	1,637,314	-	-	1,637,314	1,637,314
Loans and advances to banks	-	-	38,474	38,474	-	-	33,458	33,458
Loans and advances to customers	-	-	3,817,344	3,817,344	-	-	3,816,140	3,816,140
Investment in subsidiary	-	-	-	-	-	-	14,250	14,250
Investment securities	-	237,660	-	237,660	-	237,660	-	237,660
Derivative assets held for risk management	5,765	-	-	5,765	5,765	-	-	5,765
Other assets	-	-	48,544	48,544	-	-	41,547	41,547
Total financial assets	**5,765**	**237,660**	**5,541,676**	**5,785,101**	**5,765**	**237,660**	**5,542,709**	**5,786,134**
Customer deposits	-	-	4,639,352	4,639,352	-	-	4,639,352	4,639,352
Borrowings under BoE Term funding scheme	-	-	202,647	202,647	-	-	202,647	202,647
Tier 2 subordinated debt	-	-	30,141	30,141	-	-	30,141	30,141
Intercompany borrowings	-	-	11,953	11,953	-	-	11,953	11,953
Trade payables and other provisions	-	-	19,780	19,780	-	-	18,095	18,095
Lease liabilities	-	-	4,146	4,146	-	-	4,146	4,146
Total financial liabilities	**-**	**-**	**4,908,019**	**4,908,019**	**-**	**-**	**4,906,334**	**4,906,334**

31 December 2022 (£'000)	Bank Group			Bank		
	FVOCI	Amortised cost	Total carrying amount	FVOCI	Amortised cost	Total carrying amount
Cash & balance at central bank	-	1,235,711	1,235,711	-	1,235,711	1,235,711
Loans and advances to banks	-	42,127	42,127	-	37,507	37,507
Loans and advances to customers	-	3,127,950	3,127,950	-	3,127,493	3,127,493
Investment in subsidiary	-	-	-	-	14,250	14,250
Debt securities	204,005	-	204,005	204,005	-	204,005
Other assets	-	26,074	26,074	-	21,335	21,335
Total financial assets	**204,005**	**4,431,862**	**4,635,867**	**204,005**	**4,436,296**	**4,640,301**
Customer deposits	-	3,613,260	3,613,260	-	3,613,260	3,613,260
Borrowings under BoE Term funding scheme	-	201,423	201,423	-	201,423	201,423
Tier 2 subordinated debt	-	49,778	49,778	-	49,778	49,778
Trade payables and other provisions	-	12,873	12,873	-	11,495	11,495
Lease liabilities	-	3,612	3,612	-	3,612	3,612
Total financial liabilities	**-**	**3,880,946**	**3,880,946**	**-**	**3,879,568**	**3,879,568**

12. Cash and balances at central bank (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Cash and balances at central bank	1,637,314	1,235,711
Total	**1,637,314**	**1,235,711**

The Cash and balances at central bank are measured at amortised cost. All balances are available to be withdraw immediately and therefore the book value is deemed equivalent to fair value.

13. Loans and advances to banks (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Balances held with other banks	38,474	42,127	33,458	37,507
Total	**38,474**	**42,127**	**33,458**	**37,507**

The loans and advances to banks are measured at amortised cost. All balances held are short term and therefore book value is deemed equivalent to fair value.

14. Loans and advances to customers (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Amount due:				
- Within three months	387,901	340,468	387,711	340,468
- Over three months but less than one year	951,052	1,067,076	950,038	1,066,991
- Over one year but less than five years	2,479,743	1,715,016	2,479,743	1,714,644
- Over five years	29,209	28,892	29,209	28,892
Gross loans and advances	**3,847,905**	**3,151,452**	**3,846,701**	**3,150,995**
Allowance for ECL	(30,561)	(23,502)	(30,561)	(23,502)
Total allowance for ECL	**(30,561)**	**(23,502)**	**(30,561)**	**(23,502)**
Loans and advances to customers (net)	**3,817,344**	**3,127,950**	**3,816,140**	**3,127,493**

Details on the ECL by staging of the loans is provided in the Credit risk management section "ECL allowance assessment and impairment methodology" on pages 54 to 55.

15. Investment securities (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Analysed by type		
UK Gilts & Treasury bills	205,872	204,005
US Money Market funds	31,788	-
Analysed by designation		
Financial instruments at FVOCI	237,660	204,005
Analysed by maturity		
- Within three months	237,660	204,005

All investment securities are short dated and are fair valued based on market price (Level 1). The net mark to market through OCI for these bonds and treasury bills was £56K as at 31 December 2023 (2022: £24K). There was no mark to market on money market fund. None of the debt securities were impaired as at 31 December 2023 (2022: Nil). The securities held as at 31 December 2022 matured during the year.

All the UK Gilts & Treasury bills listed here were collateralised against the TFSME borrowings (also see note 24).

16. Goodwill (Bank Group)

	Goodwill (£'000)	Total (£'000)
Cost		
As at 1 January 2022	-	-
Additions	-	-
Acquisition through business Combination	11,647	11,647
As at 31 December 2022	**11,647**	**11,647**
As at 1 January 2023	**11,647**	**11,647**
Additions	-	-
Deletions	-	-
As at 31 December 2023	**11,647**	**11,647**

For Impairment testing, Goodwill is allocated to CGU, which is identified as Bank's subsidiary. No impairment loss on Goodwill was recognised during the year ended 31 December 2023 (2022: Nil).

The recoverable amount for CGU was determined by a value in use (VIU) calculation. The VIU was higher than their carrying value and therefore no impairment charge has been recognised for year ended 31 December 2023 (2022: Nil). The VIU calculation is based on management plan which covers the three year period from 2024 to 2026 inclusive. The management plan is prepared using the best estimate of the future performance of the business. Three years of forecast cash flows (post-tax profits) are included in the discounted cash flow model. A terminal value growth rate of 1% is then applied into perpetuity to extrapolate cash flows beyond the cash flow period (2022: 1%). A post-tax discount rate of 10% (2022: 10%) has been used for the VIU calculation which reflects Bank's incremental borrowing rate.

The VIU is most sensitive to changes in the projected profitability per the management plan and the discount rate. If adjusted independently of all other variables, reasonable changes to the assumption in either of these factors would not cause the recoverable amount of the CGU to fall below its carrying amount.

17. Intangible assets (Bank Group)

	Purchased Software (£'000)	Internally developed Software (£'000)	Capital Work-in-progress (£'000)	Total (£'000)
Cost				
As at 1 January 2023	203	2,376	1,982	4,561
Additions	-	3,604	2,961	6,565
Write off of intangibles assets	(203)	(624)	-	(827)
As at 31 December 2023	**-**	**5,356**	**4,943**	**10,299**
Accumulated amortisation				
At 1 January 2023	203	65	-	268
Charge for the year	-	1,074	-	1,074

	Purchased Software (£'000)	Internally developed Software (£'000)	Capital Work-in-progress (£'000)	Total (£'000)
Capitalisation during the year	-	-	3,604	3,604
Write off of intangibles assets	(203)	(83)	-	(286)
As at 31 December 2023	**-**	**1,056**	**3,604**	**4,660**
Carrying amount				
As at 31 December 2023	**-**	**4,300**	**1,339**	**5,639**

	Purchased Software (£'000)	Internally developed Software (£'000)	Capital Work-in-progress (£'000)	Total (£'000)
Cost				
As at 1 January 2022	203	-	-	203
Additions	-	2,376	1,982	4,358
As at 31 December 2022	**203**	**2,376**	**1,982**	**4,561**
Accumulated amortisation				
At 1 January 2022	175	-	-	175
Charge for the year	28	65	-	93
As at 31 December 2022	**203**	**65**	**-**	**268**
Carrying amount				
As at 31 December 2022	**-**	**2,311**	**1,982**	**4,293**

The internally developed software and Capital Work-in-progress are banking platforms for OakNorth's loans and deposit customers. The software is amortised in line with the amortisation periods detailed in the accounting policy (see note 1.15). The remaining useful life of the Intangible assets at year ended 31 December 2023 was 3.3 years (2022: 3 years).

Intangible assets written-off during the year ended 31 December 2023 was £541K (2022: Nil). There was no impairment loss recognised on these assets during the year (2022: Nil).

18. Tangible fixed assets (Bank Group and Bank)

Bank Group 2023	Leasehold improvements (£'000)	Computer and IT equipment (£'000)	Fixtures, fittings and office equipment (£'000)	Total (£'000)
Cost				
As at 1 January 2023	1,170	60	137	1,367
Additions	-	9	9	18
Write off of tangible fixed assets	(1,170)	(47)	(64)	(1,281)
As at 31 December 2023	**-**	**22**	**82**	**104**
Accumulated depreciation				
At 1 January 2023	980	19	63	1,062
Charge for the year	165	19	34	218
Write off of tangible fixed assets	(1,145)	(28)	(54)	(1,227)
As at 31 December 2023	**-**	**10**	**43**	**53**
Carrying amount				
As at 31 December 2023	**-**	**12**	**39**	**51**

Bank Group 2022	Leasehold improvements (£'000)	Computer and IT equipment (£'000)	Fixtures, fittings and office equipment (£'000)	Total (£'000)
Cost				
As at 1 January 2022	1,170	28	64	1,262
Additions	-	19	-	19
Acquired through business combination	-	13	73	86
As at 31 December 2022	**1,170**	**60**	**137**	**1,367**
Accumulated depreciation				
At 1 January 2022	746	4	28	778
Charge for the year	234	15	35	284
As at 31 December 2022	**980**	**19**	**63**	**1,062**
Carrying amount				
As at 31 December 2022	**190**	**41**	**74**	**305**

Tangible fixed assets were written off due to low residual net book value of £25k as at the reporting date.

Bank 2023	Leasehold improvements (£'000)	Computer and IT equipment (£'000)	Fixtures, fittings and office equipment (£'000)	Total (£'000)
Cost				
As at 1 January 2023	1,170	47	64	1,281
Additions	-	-	-	-
Write off of tangible fixed assets	(1,170)	(47)	(64)	(1,281)
As at 31 December 2023	**-**	**-**	**-**	**-**
Accumulated depreciation				
At 1 January 2023	980	14	41	1,035
Charge for the year	165	14	13	192
Write off of tangible fixed assets	(1,145)	(28)	(54)	(1,227)
As at 31 December 2023	**-**	**-**	**-**	**-**
Carrying amount				
As at 31 December 2023	**-**	**-**	**-**	**-**

Bank 2022	Leasehold improvements (£'000)	Computer and IT equipment (£'000)	Fixtures, fittings and office equipment (£'000)	Total (£'000)
Cost				
As at 1 January 2022	1,170	28	64	1,262
Additions	-	19	-	19
As at 31 December 2022	**1,170**	**47**	**64**	**1,281**
Accumulated depreciation				
At 1 January 2022	746	4	28	778
Charge for the year	234	10	13	257
As at 31 December 2022	**980**	**14**	**41**	**1,035**
Carrying amount				
As at 31 December 2022	**190**	**33**	**23**	**246**

Tangible assets written-off during year ended 31 December 2023 was £54K (2022: Nil).

19. Leases (Applicable to Bank only)

Lease assets and liabilities

	2023 (£'000)	2022 (£'000)
Right-of-use (ROU) assets		
Cost		
Balance at 1 January	3,067	3,067
Additions	1,190	-
Adjustments	(886)	-
Balance at 31 December	**3,371**	**3,067**
Accumulated depreciation		
As at 1 January	510	-
Charge for the year	603	510
Deletions	-	-
Balance at 31 December	**1,113**	**510**
Carrying value		
As at 31 December	2,258	2,557
Lease Liabilities	**4,146**	**3,612**
- within one year	690	237
- between one and five years	3,456	2,914
- after five years	-	461

Amounts recognised in the statement of profit and loss

	2023 (£'000)	2022 (£'000)
Depreciation charge of ROU assets	603	510
Interest on lease liabilities	440	397
Expense relating to short term leases	132	66
Expense relating to low values leases	41	81
Total expense recognised in profit and loss	**1,216**	**1,054**

Amounts recognised in the statement of cash flows

	2023 (£'000)	2022 (£'000)
Total cash outflows for leases (principal payment)	686	1,050

Extension options

Extension and termination options are included in several leases for office premises and are used to maximise operational flexibility in terms of managing the assets used in OakNorth's operations. Most extension and termination options held are exercisable only by OakNorth (the lessee) and not by the lessor.

20. Derivatives held for risk management (Applicable to Bank only)

Cash flow hedge

Hedged risk- Interest rate risk

Instrument- Interest rate swap

Maturity profile and average price/rate of hedging instrument:

2023	Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	> 5 years	Total
Notional (£'000))	-	-	900,000	-	-	900,000
Average interest rate	0.000%	0.000%	5.108%	0.000%	0.000%	

Impact of the hedging instruments on the statement of financial position as at 31 December 2023:

2023	Notional amount (£'000)	Carrying amount (£'000)	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period (£'000)
Interest rate swaps	900,000	3,136	Derivative assets	3,139

Analysis of the cash flow hedge reserve from continuing and de-designated hedges:

Cash flow reserve hedge	2023 (£'000)
Continuing	
Interest rate risk- floating rate assets	(3,139)
Interest rate risk- floating rate liabilities	N/A
De-designated	N/A
Total	**(3,139)**

Changes in fair value of hedging instruments used for measuring hedge ineffectiveness as at 31 December 2023:

2023	Total fair value change (£'000)	Effective portion- recognised in OCI (£'000)	Hedge ineffectiveness recognised in the income statement in profit & loss	Line item in profit or loss that includes hedge ineffectiveness	Reclassified into income statement into Admin expenses
Interest rate swaps	3,139	3,139	-	Gains/ losses on financial instruments at FVPL	-

Reconciliation by risk category of components of equity and analysis of OCI items resulting from hedge accounting as at 31 December 2023:

2023	Cash flow hedge reserve (£'000)
Balance as at 1 January 2023	-
Effective portion of changes in fair value arising from interest rate risk	(3,139)
Tax impact on above	878
Net amount reclassified to profit or loss (interest income)	N/A
Total	**(2,261)**

Fair value hedge

Hedged risk- Foreign currency risk

Instrument- Cross currency interest rate swap

Maturity profile and average price/rate of hedging instrument:

2023	Up to 1 month	1 -3 Months	3 months – 1 year	1 – 5 years	> 5 years	Total
Notional (£'000)	-	-	-	161,730	-	161,730

Average USD/GBP foreign exchange rate applicable across the relationships for the main currencies hedged is 1.252

Impact of the hedging instruments on the statement of financial position as at 31 December 2023:

2023	Notional amount (£'000)	Carrying amount (£'000)	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period (£'000)
Cross currency interest rate swaps	161,730	2,629	Derivative assets	2,550

Changes in fair value of hedging instruments used for measuring hedge ineffectiveness as at 31 December 2023:

2023	Ineffectiveness recognised in profit & loss (£'000)	Line item in profit or loss that includes hedge ineffectiveness
Cross currency interest rate swaps	20	Gains/ losses on financial instruments at FVPL

Reconciliation by risk category of components of equity and analysis of OCI items resulting from hedge accounting as at 31 December 2023:

(£'000)	Cost of hedging reserve
Balance as at 1 January 2023	-
Changes in fair value of the cross currency basis spread in relation to time-period related hedged items during the period	72
Amortisation to profit or loss of changes in fair value of cross currency basis spread in relation to time-period related hedged items	6
Tax impact on above	(22)
Total	**56**

Impact of hedged items on the statement of financial position as at 31 December 2023:

2023	Carrying amount (£'000)	Accumulated fair value adjustments (£'000)	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period (£'000)	Impact on hedged items ceased to be adjusted for hedging gains or losses (£'000)
USD monetary assets	159,049	2,530	Loans and advances to customers/ Investment securities	2,530	-

21. Other assets (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Security deposits	128	119	36	4
Bank of England – Cash Ratio Deposit	13,338	9,401	13,338	9,401
Prepayments	1,488	1,574	1,411	1,462
Receivables	21,331	16,554	14,426	11,930
Collateral for derivatives	13,747	-	13,747	-
Other assets	1,960	165	1,960	165
Total	**51,992**	**27,813**	**44,918**	**22,962**

Receivables includes balances due from OakNorth UK group entities for £13.5 million in relation surrender of tax losses deferred at year end.

22. Customer deposits (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Customer deposits	4,639,352	3,613,260
Amounts due:		
- Within three months	865,622	1,027,688
- Over three months but less than one year	1,868,614	1,280,963
- Over one year but less than five years	462,863	138,554
Total notice and term deposits	**3,197,099**	**2,447,205**
Easy access accounts	1,442,253	1,166,055
Total deposits	**4,639,352**	**3,613,260**

23. Borrowings under BOE's Term funding scheme (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Borrowings under the BoE's Term Funding Scheme	202,647	201,423
Amounts due:		
- over one year but less than five years	**202,647**	**201,423**

As at 31 December 2023, OakNorth had borrowed £200.0 million (2022: £200.0 million under BoE's TFS scheme) under the Bank of England's (BoE) Term Funding scheme for SME (TFSME). The scheme closed for new drawdowns in October 2021. The interest payable on the borrowings is linked to the BoE base rate, which was 525 bps as at 31 December 2023 (2022: 350 bps). The borrowing is repayable in October 2025. The borrowing is collateralised against Gilts & Treasury Bills portfolio of £205.9 million (2022: £204.0 million). The borrowing is held at amortised cost.

24. Tier 2 subordinated debt (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Tier 2 subordinated debt	**30,141**	**49,778**
Amounts due:		
- over five years	30,141	49,778

During the year, the Bank called back £50.0 million subordinated notes which were issued in 2018. In December 2023, the Bank issued 10-year £30.0 million subordinated notes with coupon of 12.987%. The notes are callable at the option of OakNorth in December 2028 and mature in December 2034.The notes are held at amortised cost. The instrument is non-convertible and there are no contractual write-down features. Write-down can only be triggered at point of non-viability under the Banking Act.

There were no payment defaults or other breaches with respect to its subordinated liabilities during the year ended 31 December 2023 (2022: Nil).

25. Intercompany borrowings (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)
Intercompany borrowings	**11,953**	**-**
Amounts due:		
- repayable on demand	11,953	-

26. Trade payables and other provisions (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Trade creditors and accruals	17,056	10,878	16,342	10,357
Payroll taxes and social security	2,516	1,919	1,545	1,062
Payable to group entities -Corporation tax on group losses	208	76	208	76
Total	**19,780**	**12,873**	**18,095**	**11,495**

All amounts above are payable within one year.

27. Other liabilities (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Lease liabilities	4,146	3,612	4,146	3,612
Unamortised fees on undrawn loan commitments	3,363	3,373	3,363	3,373
Interest reserves maintained pursuant to lending agreements	12,869	11,709	12,833	11,609
Other liabilities	440	14,232	440	14,232
Provision on undrawn loan commitments	826	1,029	826	1,029
Total	**21,644**	**33,955**	**21,608**	**33,855**

Other liabilities mainly include funds received for deposits pending appropriation and payments received in advance for loans as at the end of the reporting year, which have been subsequently settled.

The expected credit loss allowance on undrawn loan commitments is calculated in accordance with the policies as detailed in note 1.9 and "Credit risk" section.

28. Called up share capital (Applicable to Bank only)

	2023 (£'000)	2022 (£'000)	1 January 2021 (£'000)
Authorised, allotted, called up and fully paid			
389,320,001 (previous year: 389,320,001) Ordinary shares of £1 per share	**389,320**	**389,320**	**389,320**

	No of shares (in '000)
As at 1 January 2021	**389,320**
Issue of shares during the year	-
As at 31 December 2022	**389,320**
Issue of shares during the year	-
As at 31 December 2023	**389,320**

OakNorth only has fully paid-up ordinary shares in issue. There are no restrictions in the articles on distribution of dividends or repayment of capital- however these are subject to regulatory approvals from the PRA.

29. Retained earnings (Bank Group and Bank)

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Brought forward as at 1 January	351,208	239,670	350,074	239,670
IFRS transition adjustment (net of tax)	-	(470)	-	(470)
Profit during the year	138,470	113,259	134,235	110,874
Non-Controlling Interest share in profits	(2,113)	(1,190)	-	-
Unwinding of investment in ASK entities	-	(61)	-	-
As at 31 December	**487,565**	**351,208**	**484,309**	**350,074**

The retained earning form part of the distributable reserves of OakNorth Bank Group and OakNorth Bank Plc.

30. Bank Group subsidiaries

List of subsidiaries and Non-Controlling Interest (NCI) in subsidiary

The table below provides details of the significant subsidiaries of the Bank Group.

Entity	Principal place of business/ Country of incorporation	Ownership Interest		Non-Controlling Interest	
		2023	2022	2023	2022
ASK Partners [(a)]	UK[(b)]	50.1%	50.1%	49.9%	49.9%

[a)] OakNorth Bank has 56.6% voting rights in ASK Partners while the NCI has 43.4% voting rights. Voting rights are assigned to specific class of shareholders.

[b)] Registered address: 35 Harley Street London W1G 9QU

Financial and cash flow statements of the subsidiary consolidated in the Group financial statements, including details of non-controlling interest

(£'000)	2023	2022
Cash at banks	5,017	4,620
Current & Fixed Assets	7,196	4,910
Loans	1,203	457
Current & Non-Current Liabilities	(1,720)	(2,527)
Net Assets	**11,696**	**7,460**
Carrying amount of NCI	**5,835**	**3,722**
Revenue	13,213	4,090
Profits	4,235	2,385
Total Comprehensive Income	**4,235**	**2,385**
Profit allocated to NCI	**2,113**	**1,190**
Cash flows from operating activities	415	845
Cash flows from investing activities	(18)	-
Cash flows from financing activities	-	-
Net increase in cash and cash equivalent	**397**	**845**

31. Segmental information (Bank Group)

There are no reportable segments. Please see note 1.8 in the Accounting Policies.

32. Related party transactions (Applicable to Bank only)

Transactions with related parties include contract charges for services provided by OakNorth's sister companies and the Holding Company are as disclosed below:

	2023		
	Net payments to / (recharges from)	Balance due to/ (by)	Intercompany deposits/ borrowings
	£'000	£'000	£'000
OakNorth Global Private Limited, India	22,512	2,490	2,455
OakNorth (UK) Limited	85	(13,973)	5,130
OakNorth International (UK) Limited	164	163	295
OakNorth Global (US) Inc.	69	(128)	7,844
OakNorth Americas (US) Inc.	30	21	-
OakNorth Holdings Limited	961	(721)	47,483
Fluidly Limited	21	46	-
OakNorth Finance Limited	2	-	240
OakNorth (Jersey) Limited	(1)	-	-

	2022	
	Net payments to / (recharges from)	Balance due to/ (by)
	£'000	£'000
OakNorth Global Private Limited, India	16,783	30
OakNorth India Private Limited	171	-
OakNorth (UK) Limited	(6,567)	(10,932)
OakNorth (SG) Pte Limited	334	-
OakNorth International (UK) Limited	1	1
OakNorth Global (US) Inc.	-	-
OakNorth Americas (US) Inc.	4	4
OakNorth Holdings Limited	208	(59)
Fluidly Limited	2,121	23

Amount outstanding with Holding and sister companies as at balance sheet is shown below-

	2023 (£'000)	2022 (£'000)
OakNorth Holdings Limited		
Deposits placed	35,436	25,630
Intercompany borrowings	3,904	-
Equity holding	389,320	389,320
OakNorth Global (US) Inc		
Intercompany borrowings	8,049	-
OakNorth Global Private Limited, India		
Deposits placed	870	-
OakNorth (UK) Limited		
Deposits placed	683	-
OakNorth Finance Limited		
Deposits placed	42	-

Other off balance sheet items: OakNorth Bank Plc has provided £22.1 million uncommitted facility provided to ASK Partners Limited (2022: £29.7 million).

OakNorth Holdings Limited, Jersey is a related party of OakNorth because it is the Holding company and the ultimate controlling party. All other entities mentioned in the table above are sister companies of OakNorth Bank. ASK Partners Limited is a subsidiary of OakNorth.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Other related party transactions: Directors' transactions: There were no loans, credits or guarantees issued to the Directors during the year (2022: Nil). Two directors had placed £30k and £10k of deposits with the Bank.

33. Fair value measurement (Bank Group and Bank)

Financial instruments measured at fair value – Fair value hierarchy

The following table analyses the financial instruments into the fair value hierarchy. There were no transfers between the levels of the fair value hierarchy during either of the reported years.

2023 (£'000)	Bank Group			Bank		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investment securities	237,660	-	-	237,660	-	-
Derivative assets held for risk management	-	5,765	-	-	5,765	-

2022 (£'000)	Bank Group			Bank		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investment securities	204,005	-	-	204,005	-	-

Financial instruments measured at amortised cost

The following table analyses the financial instruments measured at amortised cost into the fair value hierarchy. There were no transfers between the levels of the fair value hierarchy during either of the reported years.

Bank Group	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2023	£'000	£'000	£'000	£'000	£'000
Assets					
Loans and advances to banks	-	38,474	-	38,474	38,474
Loans and advances to customers	-	-	3,816,864	3,816,864	3,817,344
Liabilities					
Customer deposits	-	-	4,635,784	4,635,784	4,639,352
Borrowings under BOE Term funding scheme	-	202,647	-	202,647	202,647
Tier 2 subordinated debt	-	30,141	-	30,141	30,141
Intercompany borrowings	-	-	11,953	11,953	11,953

Bank Group	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2022	£'000	£'000	£'000	£'000	£'000
Assets					
Loans and advances to banks	-	42,127	-	42,127	42,127
Loans and advances to customers	-	-	3,128,411	3,128,411	3,127,950
Liabilities					
Customer deposits	-	-	3,624,865	3,624,865	3,613,260
Borrowings under BOE Term funding scheme	-	201,423	-	201,423	201,423
Tier 2 subordinated debt	-	49,778	-	49,778	49,778

Bank	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2023	£'000	£'000	£'000	£'000	£'000
Assets					
Loans and advances to banks	-	33,458	-	33,458	33,458
Loans and advances to customers	-	-	3,815,661	3,815,661	3,816,140
Liabilities					
Customer deposits	-	-	4,635,784	4,635,784	4,639,352
Borrowings under BOE Term funding scheme	-	202,647	-	202,647	202,647
Tier 2 subordinated debt	-	30,141	-	30,141	30,141
Intercompany borrowings	-	-	11,953	11,953	11,953

Bank	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2022	£'000	£'000	£'000	£'000	£'000
Assets					
Loans and advances to banks	-	37,507	-	37,507	37,507
Loans and advances to customers	-	-	3,127,954	3,127,954	3,127,493
Liabilities					
Customer deposits	-	-	3,624,865	3,624,865	3,613,260
Borrowings under BOE Term funding scheme	-	201,423	-	201,423	201,423
Tier 2 subordinated debt	-	49,778	-	49,778	49,778

Loans and advances to customers - Fair values for loans is calculated by discounting future cashflows at the average market rate of interest charged on new disbursements.

Loans and advances to banks - For cash held with other banks on a short-term basis, the fair value approximates to the carrying value as the balances are held on immediately withdrawable basis.

Investment securities - Investment securities are fair valued using quoted market prices as at the balance sheet date.

Customer deposits - Fair values for customer deposits is calculated by discounting cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a deposit repayable on demand is approximated by its carrying value.

Borrowings under BoE Term funding scheme - Fair value for borrowings under TFSME scheme approximates to the carrying value because of low credit risk and frequent repricing to reflect market rates.

Subordinated debt and Intercompany borrowings - For subordinated debt and intercompany borrowings, fair value is calculated by discounting using market rates.

Derivative assets - Derivative assets include interest rate swaps and cross currency interest rate swaps. The valuation techniques include forward pricing and swap models, using present value calculations by estimating future cash flows and discounting them with the appropriate yield curves incorporating funding costs relevant for the position. For CCIRS, the GBP SONIA (pay leg) and USD SOFR (receive leg) curves have been used and for IRS GBP SONIA (pay leg) and contractual fixed rate curves (receive leg) have been used for the purposes of fair valuation.

In addition to the above, we hold £1.6 billion as at 31 December 2023 (2022: £1.2 billion) as cash and balances at central bank which consists of demand deposits held with Bank of England. The fair value of this cash is deemed same as the carrying value. Other assets and other liabilities are held at amortised cost and treated as Level 3 instruments with fair value deemed equivalent to carrying value.

Fair value disclosures are not required for lease liabilities in accordance with IFRS 7.

34. Contingent liabilities and commitments (Applicable to Bank only)

As on 31 December 2023, OakNorth had undrawn loan commitments outstanding for £384.5 million (2022: £436.9 million). OakNorth also had £1,061.8 million of uncommitted facilities outstanding as at 31 December 2023 (2022: £1,042.9 million). This excludes £22.1 million uncommitted facility provided to ASK Partners Limited (2022: £29.7 million). OakNorth had no other contingent liabilities as on 31 December 2023 (2022: Nil). OakNorth allows for drawdowns under property development facilities only where our monitoring surveyor has verified the costs and progress of the development as well as the provision of any other condition precedent for drawdown. For other business lending, OakNorth always stipulates conditions precedent for drawdown.

35. Risk management disclosures

For OakNorth's Capital, Liquidity, and interest rate risk Management disclosures, please see section "Risk Management Framework and Risk Review", pages 61-63

Credit risk disclosures are provided on pages 50-61. Further details on OakNorth's portfolio are provided in the pillar 3 disclosures that are published annually on OakNorth's website.

Details on the ECL methodology, scenarios and sensitivities is provided in the Credit risk disclosures under section "ECL allowance assessment and impairment methodology" on pages 54-61.

36. Additional notes to Cash Flow Statement

	Bank Group		Bank	
	2023 (£'000)	2022 (£'000)	2023 (£'000)	2022 (£'000)
Changes to Operating assets & liabilities				
Net change in other assets	(24,629)	(14,047)	(21,477)	(12,274)
Net change in Trade payables and other provisions	6,617	(6,546)	6,310	(6,267)
Net change in other liabilities	(12,845)	6,456	(12,781)	6,548
Total	**(30,857)**	**(14,137)**	**(27,948)**	**(11,993)**

37. Controlling party (Applicable to Bank only)

In the opinion of the Directors, the Bank's immediate and ultimate controlling party is OakNorth Holdings Limited, Jersey, with registered office at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW.

38. Post balance sheet events (Bank Group and Bank)

There are no post balance sheet events.

OakNorth

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