OakNorth

2024

ANNUAL REPORT

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DELIVERING IMPACT FOR OUR STAKEHOLDERS

DELIVERING FOR COMMUNITIES

56,000
Jobs created or supported[1]

34,000
Creation of new homes supported, predominantly affordability[2]

BY DELIVERING FOR OUR CUSTOMERS

£12.3bn
Credit granted since inception[3]

70+
Net Promoter Score[4]

80%+
New credit originated via referrals, repeat customers or directly by OakNorth

WITH RECOGNISED OUTPERFORMANCE ON A GLOBAL SCALE

Top 1%
of banks globally in terms of Return on Assets[5]

All metrics on this page are Non-Financial metrics

1 Number of jobs created or supported across multiple sectors in the economy ranging from industrials, hospitality & leisure, healthcare, education, real estate, professional services, consumer goods & retail, lender finance. Estimates leverage UK National Accounts data, applying GVA, employment figures, and sector revenue to OakNorth's lending customers' incremental revenue to assess their impact.

2 New homes build supported across the UK and US, tracked through individual transactions funded since inception. Affordable housing is defined as dwellings priced below or within a reasonable deviation of the regional average House Price Index (HPI).

3 Gross facilities (committed and uncommitted) funded since inception.

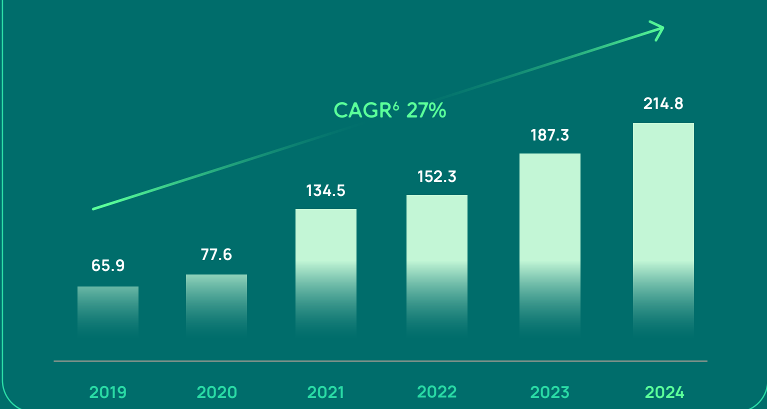
4 Net Promoter Score measures customer loyalty and satisfaction based on survey responses about recommending OakNorth's products and services, rated out of 100.

5 OakNorth ranks among the top 5 banks in Western Europe and top 35 globally for Return on Assets, per The Banker's Top 1000 World Banks (July 2024), out of approximately 6,300 banks in the BIS LBS database (2023).

STRONG & CONSISTENT
HIGH GROWTH & PROFITABILITY

HIGH GROWTH

Profit before tax for the year (£ mn)



+

HIGH RETURNS

ROE/ adj. ROE[7]

	2019	2020	2021	2022	2023	2024
ROE/ adj. ROE[7]	12%/ 19%	12%/ 19%	17%/ 30%	16%/ 26%	17%/ 22%	17%/ 22%

=

RESULTING IN COMPOUNDED EQUITY GENERATION

Equity[8] (£ mn)

[6] CAGR is Compound Annual Growth Rate.

[7] ROE is Return on equity, computed as net income attributable to ordinary shareholders expressed as a percentage of average equity capital excluding minority interest. Adjusted ROE is based on average required regulatory equity capital excluding surplus.

[8] Total equity comprises of total capital and reserves attributable to ordinary shareholders, excluding minority interest. This is stated pre dividend payments. The statutory equity balance as at 31 December 2024 was £1,012 mn.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Lord Adair Turner
Chairman

It was a pleasure and honour for me to become Chairman of OakNorth Bank's Board at the beginning of 2024, taking over from Cyrus Ardalan who chaired the Bank for 8.5 years. He became Chairman soon after OakNorth was established and provided excellent leadership of the Board, together with highly valued guidance and advice to the executive team throughout his tenure. On behalf of all at OakNorth, I would like to extend our heartfelt thanks for his contribution to OakNorth's success to date.

Having been on the OakNorth Board for the first three years of that journey, and as an advisor to the Board in the subsequent years, I have witnessed OakNorth's remarkable growth under the leadership of Rishi Khosla and the rest of the executive team. Over the last nine years, OakNorth has lent over £12bn to the lower mid-market, serving the businesses too often ignored by the major UK banks. It also now looks after over £6bn of deposit savings of UK households, providing savers with good returns and the safety which a strong balance sheet ensures. Our Return on Equity is also extremely impressive, at 17% in 2024. For a start-up bank launched in 2015, this is a formidable achievement.

This success has been based on four core strengths and principles:

- First, a highly disciplined but also creative approach to lending. OakNorth's credit analysis combines deep quantitative assessment of macro-economic trends and client financial information, with site visits and face-to-face meetings. This enables us to build a highly granular understanding of the businesses and the business leaders to whom we lend. We structure loans to enable tight monitoring and management of risks, while responding flexibly to clients' specific cash flow needs. This approach has enabled us to achieve strong growth with minimal losses. Our cumulative write-offs have amounted to only c£39m – of which only c£6m are principal[9] losses over the nine years of our existence.
- Second, strong capital ratios, which are the bedrock of any sound and successful bank. With a total capital ratio of 20.5% as at end of 2024, we exceed our current regulatory capital requirements. Our consistent, high profitability enables us to fund capital growth in line with asset growth almost entirely from internal funds. We have further bolstered our balance sheet with the issuance of subordinated debt. Our £150m Tier 2 public market debt issue in October 2024 demonstrates the high regard that sophisticated investors have for our profitability and strength.
- Third, executional excellence. In our lending relationships, we make and communicate credit assessment decisions faster than incumbent banks, providing the rapid certainty which entrepreneurs need when building a business. The flexible, transparent, and entrepreneurial way in which we operate is the reason why so many of our customers come back to us and why they refer other businesses to us. On our deposit raising side, we provide an excellent user experience (UX), enabling customers to open and manage their accounts with us quickly and easily. Our customer service is rated 4.8/5 stars on Trustpilot from over 13.6k reviews.
- Fourth, we use technology and new ways of working to keep operational costs low. With no physical branches, we avoid the property costs which incumbent competitors (and some new challengers) incur. Through working with our sister entity and global capability centre, ONGPL[10], in India, we're able to tap into exceptional data and analytics talent, ensuring that speed of response, customer service, and quality of analysis are never compromised.

2024 has seen OakNorth continuing to grow our existing business in a profitable and sustainable fashion, while developing two new business activities, including business banking and US lending which give us growth opportunities for the future.

- In the UK, the lending environment has been challenging as the impact of the interest rate rises in 2022-23 has fed through to the financial performance of some existing borrowers and to the confidence which drives new growth. But our distinctive lending and credit assessment approach has enabled OakNorth to extend £2.1bn of new loan facilities, growing the total drawn lending book to £4.4bn, while maintaining strong credit quality. We are confident that our loan loss provisions of 0.5% of loans on the balance sheet at end 2024 provide adequate coverage.
- Meanwhile as in previous years, we have funded this growth almost entirely with retail deposits which have grown from £4.6bn to £6.1bn.

In addition to the above, and reflecting decisions made by the board in 2022 and 2023, we continue to expand the business both in terms of its product offering and geographical operations:

- First US lending, where we believe that OakNorth's disciplined but creative approach to credit assessment and loan structuring will enable us to achieve the combination of good margins and low losses which we have demonstrated in the UK. During 2024, we extended gross facilities of $440m in the US, and we now have total US loan book facilities of $616m. Having secured authorisation from the Federal Reserve and the New York State Department of Financial Services (NYDFS) for a Representative Office in New York in August, we are also assessing different balance sheet options to support future growth.
- Second, business transactional banking, to enable us to provide a range of transaction account and payment services to lower mid-market businesses. We are still at an early stage of development and will continue to carefully assess the scope of the opportunities, and the specific ways in which we can profitably enhance the product range with which we serve our chosen target market.

As we continue to build the OakNorth business and deliver good returns to our deposit savers and equity owners, we are also strongly committed to being a responsible citizen of each of the countries in which we operate. As someone whose life outside OakNorth involves a role in advocating the investments and policies required to tackle climate change, I am particularly pleased by OakNorth's clear and strong commitments in this arena.

As a lender to many property businesses, OakNorth has an opportunity to encourage them to improve energy efficiency and use less carbon intensive energy systems. We are committed to lending to property projects which have a path to at least an EPC B rating by 2030.

In addition, we are reducing our already low Scope 1 and 2 emissions (the emissions directly or indirectly resulting from our operations) and have an aim to achieve net zero for Scope 3 emissions by 2035.

[9] Gross cash lent to the borrowers, excluding any interest dues
[10] OakNorth Global Private Limited, India

The Board which I inherited from Cyrus Ardalan as the Non-Executive Director and Chairman, is a strong one with a diverse range of skills and experience, and I was pleased in September to welcome Nilan Peiris to join us as NED. As the Chief Product Officer of Wise, which provides innovative payment services to both individuals and business customers, Nilan has a wealth of experience on how to build products and services that delight customers.

Looking to the future, we see many uncertainties at home and across the world. In the UK, the autumn budget increased the rate of employer's National Insurance and reduced the threshold above which it applied. This will increase business costs, particularly for businesses with relatively low paid and part time employees, and that might have consequences for some of our lending clients. Our initial assessments suggest no significant impact in relation to credit risk on our loan book or the ability of the businesses we lend to, to manage these changes. Nonetheless, we will continue to monitor the risks on our loan portfolio closely to ensure we remain responsive to any emerging challenges.

In the US, the election of Donald Trump and his commitment to introduce high tariffs, may have implications for economic growth, inflation, and interest rates. Meanwhile, conflicts and geopolitical tensions across the world – in the Ukraine, the Middle East, and in relation to Taiwan – have the potential to produce major macro-economic instability.

We are therefore continually alive to the potential impacts of these on the businesses we serve. The rapid rise in interest rates which occurred as economies recovered from COVID and in the aftermath of Russia's invasion of Ukraine, with the Bank of England Base Rate rising from 0.1% in November 2021 to 5.25% in August 2023, was a powerful indication of how rapidly the macro environment can change. OakNorth's strong capital and excellent risk management approach enabled it to continue to grow profitably through that period. We will continue to use stress testing and other risk assessment techniques to ensure that the Bank will be profitable and sustainable in almost any foreseeable circumstances.

I am therefore confident that whatever 2025 brings, OakNorth will continue our successful journey, building on the strong foundations put in place over the last nine years.

Lord Adair Turner
CHAIRMAN
28 February 2025

CHIEF EXECUTIVE'S REVIEW

CHIEF EXECUTIVE'S REVIEW

Rishi Khosla
CO-FOUNDER & CEO

Living up to our name

Many aren't familiar with how OakNorth got its name.

Joel and I named our first business, Copal, after a tree which can grow in even the most inhospitable of environments. We started Copal in 2002, in the aftermath of the dot com crash, so this name felt appropriate! We wanted to stick with this theme for our second business, and as oak trees have long been symbols of endurance and stability – attributes shared by the businesses we back – we felt it was a good fit.

These are also attributes which we have demonstrated in our journey to date.

As a business, we have consistently demonstrated both strong growth and high profitability – a rare combination. What is even more unusual in a 'balance sheet-intensive' sector such as ours, where capacity for future growth is typically constrained by capital, is the ability to have a self-funding business model that can still sustain high levels of growth. As such, we haven't done a primary equity funding round since February 2019 but have been able to invest in both our geographical and product expansion. We've been able to forge our own destiny and reward our investors for their continued commitment and support, paying our first ever dividend in August.

Our credit quality at origination remains strong and consistent. Our high underwriting standards combined with real-time, proactive monitoring and timely engagement have led to minimal credit losses to date. The over subscription of our £150m subordinated debt (Tier 2) public market issue in October, reflects the high esteem that sophisticated investors hold for this robust performance and solid credit record.

Supporting customers through the cost-of-living crisis

We are proud that hundreds and thousands of people trust us with their savings, and that as a bank that passes on higher rates to its customers, we are helping people make the most of their hard-earned money.

Over the last year, we've continued to invest in our personal savings offering with the launch of new products such as our base rate tracker notice account, while adding new channels - both direct and via six strategic deposits partners. Through these strong partnerships with other fintechs and wealth managers, and by investing in technology without compromising on the customer experience, we have become the savings partner of choice, surpassing £6bn in deposits this year.

Currently, our direct savings customers have an average deposit balance of £35,000—several times higher than other digital banks. Additionally, 23% of them hold multiple products with us, demonstrating their trust and confidence in us.

Growth in the US

OakNorth is uniquely positioned, and continues to see a significant and timely opportunity, to serve and empower the lower middle market in the US – a market totalling $4.2tn. We successfully completed several hundred million dollars-worth of loans to support businesses in the US this year and are going into 2025 with an incredibly strong pipeline.

This momentum has increased since receiving approval from the Federal Reserve for a representative office in August – making us one of the first non-US digital banks to achieve this. What's been particularly exciting over this last year has been supporting customers with their growth on both sides of the Atlantic. For example, F1 Arcade, the world's first F1® experiential hospitality brand, with sites in London and Birmingham, has used OakNorth funding to support its US expansion. Its Boston site is already open, and its Washington D.C. and Las Vegas sites will be coming soon. Similarly, Mamas & Papas, the UK's leading premium nursery brand, is another fantastic business we supported this year which continues to expand across the US. In May, we provided capital to Ultimate Performance, the Manchester-based provider of personalised training and nutrition programmes, which has since opened two new sites in California and has several more US site openings in the pipeline.

Our approach – bringing value to the businesses we serve

It's become clear from speaking with customers over the years that businesses and entrepreneurs often view OakNorth's backing as a catalyst for their growth, innovation, and market leadership. This is the case across real estate which makes up 51% of our loan book, and business loans which make up the other 49%.

Take, for example, Phil Hart, co-founder and Managing Director of Beaufort Wealth Management, who earlier this year said that receiving backing from OakNorth is "tremendous validation" and puts his business in great company amongst some of the country's strongest entrepreneurs and business leaders. Similarly, Deliciously Ella, the wellbeing and lifestyle business founded by Ella Mills, has also benefited from OakNorth backing which enabled it to scale production, including purchasing a factory last year to bring its manufacturing in-house. Earlier this year, two years after receiving funding from OakNorth, the business was acquired by Hero Group, the leading Swiss food manufacturer and marketing company. CEO Matthew Mills said of his experience with us that OakNorth is "the only lender" he'd recommend for entrepreneurs in high growth. Melrose Education, the special educational needs school group with a portfolio of schools around the country, has also emphasised the significance of its relationship with OakNorth. CEO Tracey Storey has described their relationship with us as being "a cornerstone" of their growth to date, noting that our commitment to helping Melrose achieve its goals has been "unwavering" over the years.

Hearing customers speak about us in this way – as an important growth partner – is all Joel and I could have hoped when we started OakNorth nine years ago.

Our broadened business banking offering

Most digital banks focus on retail, sole traders, and micro-small businesses, as these customer groups can typically be well-served by the apps and credit-score based systems these banks are built upon. Lower mid-market businesses, however, have more complex businesses and corporate structures, and therefore need a banking partner that can cater to this.

This is why in Q4 2023, we announced the expansion of our product offering, with a strategy to provide a full suite of business banking products to our customers - from quick account opening for complex business structures, and competitive business savings, to debit cards, and payments. Companies that are graduating from start-up to scale-up can now access a dedicated business banking offering that has been built from the ground-up for them with some of the country's strongest entrepreneurs helping inform our product decisions. By pairing a digital-first customer experience with in-depth support from an OakNorth Business Partner, we are catering to the complex needs of scaling business.

While still in a comparably nascent stage to our lending and personal savings offerings, one year on, I am incredibly excited by the progress that has been made and the feedback we're receiving from customers. For example, Jeremy Gledhill, CFO of Homes by Honey, the SME housebuilder, said "27 hours and 23 minutes – I've opened many bank accounts with many providers, and this is a clear record." Richard Pearce, co-founder of Verto Homes, the UK's first zero carbon housebuilder, said it took as much time to set up an account with us as it does to order something off (Amazon) Prime!

Supporting the next generation of entrepreneurs

From a young age, I knew I wanted to be an entrepreneur. My father was a small business owner and growing up, I learned a huge amount from him about how to start, run and grow a business. However, there are a lot of people who grow up without this exposure to entrepreneurship – some may not even realise this is a potential career path until they're well into adulthood.

That is why I'm incredibly passionate about the work we're doing through our 1+1% Commitment, whereby we donate 1% of our profits[11] and 1% of our team's time to supporting charitable causes and initiatives that are aligned with our mission to empower entrepreneurs. Now in its fourth year, our Mentorpreneurship Programme, run in partnership with the London School of Economics, has engaged over 9,330 students across 91 schools, and is projected to reach at least a further 4,000 students in the next academic year. Nearly all students (90%) participating in the programme have reported an improved understanding of entrepreneurship, while three quarters (75%) have expressed an increased interest in entrepreneurship as a career path.

Meanwhile, our STEM programme, run in partnership with Founders4Schools, the award-winning ed-tech charity, is entering its second year and aims to provide 100,000 students - at least 40% of whom are from disadvantaged background - with STEM mentorship and career advice from university students studying for degrees in STEM-based subjects. One year in, the programme has reached 41,144 young people.

The people that make OakNorth happen

The foundation of everything we have achieved to date and will achieve in the future lies in our people. They are the ones who build lasting relationships with our customers, fostering loyalty and trust. They challenge norms, embrace innovation and experimentation, and enable us to create products that delight our customers. It is their continued dedication and belief in our mission that empowers us to grow confidently and sustain a strong bank capable of supporting businesses in the US and UK.

At the start of this year, we were delighted to welcome Lord Turner as our new Chairman – his knowledge, experience, and pragmatism have been invaluable, and we are grateful for his continued leadership. We were also very excited to welcome Nilan Peiris as a Non-Executive Director to our Board in September. Nilan joined Wise (LON: WISE) in 2014, and as its Chief Product Officer, has helped build it into one of the strongest product organisations in Europe. I have been deeply impressed by what Nilan has achieved at Wise and as we continue to scale, both in terms of our product offering and geographic footprint, his breadth and depth of experience will be invaluable.

Another notable senior appointment this year was Mark Steele as our new Chief Risk Officer in April. Mark joined us from Simplyhealth and has over two decades' experience at leading organisations including Nationwide, the Financial Services Authority, and the Bank of England. His predecessor, James Cashmore, joined us in May 2015 as our first ever CRO, and his commitment, support, and leadership over his nine years with us were essential for our growth.

Looking ahead

While numerous challenges remain for our customers in the US and UK, we are entering 2025 with a degree of economic certainty that we haven't had in some time.

After a year of elections around the world, new leaders and, in many cases, new governing parties have been installed across some of the world's largest economies, including in all three markets in which we have teams (the UK, the US, and India). In the US in particular, we remain cautiously optimistic. With the Fed having begun cutting rates in 2024, we may start to see the full impact of this materialise more prominently in 2025, providing some relief to businesses. However, the potential impact of tariffs remain to be seen, and could have significant consequences across sectors.

Generative AI is evolving rapidly, and we are actively integrating it across our business to enhance customer impact and optimise operational efficiency. At the same time, we are assessing the risks and opportunities it presents for our clients from a credit perspective.

Having earned £598mn in gross revenue[12] in 2024, we are now entering our 10th year of operation. I am excited and energised by what the future holds and look forward to supporting even more businesses in their growth journeys in the months and years to come.

Rishi Khosla
CO-FOUNDER
& CHIEF EXECUTIVE OFFICER
28 February 2025

[11] At OakNorth group level
[12] Interest income plus fee and commission income

OUR CUSTOMERS

deliciously ella

"Deliciously Ella is a dynamic and entrepreneurial business, with high complexity due to the various business activities we operate. OakNorth are utterly unique in their approach and have been a dream to work with – they are the only lender I'd recommend for entrepreneurs in high growth."

Matthew Mills
CEO of Deliciously Ella

HYDE

"OakNorth truly understood the meaning of what an entrepreneur is and how they work. They committed to finance the project in a straightforward manner, and were supportive through all the twists and turns the project took. They allowed me to think outside the box and ensured my dream became a reality."

Alex Shamash
Property Entrepreneur and Co-Developer of Hyde London City

untold LIVING

"We were impressed by OakNorth's reputation in the UK's retirement living sectors. Lucas and his team were able to create us a bespoke funding package that supports our existing sites, and the development of our new site in Newport, saving us considerable time and effort. We look forward to working together as we substantially grow our pipeline."

Russell Jewell
CEO of Untold Living

Melrose Education LIMITED

"Our relationship with OakNorth has been a cornerstone of our growth to date. Their support during the scaling phase of ICP Nurseries was instrumental, so it was a natural choice to continue this partnership with Melrose. OakNorth's proactive and supportive approach to new and growing businesses has stood out. Their commitment to helping us achieve our goals has been unwavering, making them a valuable partner in our journey."

Tracey Storey
CEO of Melrose Education

SPY ALARMS

"We believe in providing the best security system for the individual needs and budget of each customer. In order to do that, we make sure we're familiar with your situation and then tailor our solutions accordingly. This is a similar approach taken by OakNorth where the team developed a deep understanding of our business and our specific needs, before designing a bespoke finance package to meet these needs. With their support, we'll be able to continue growing and offering the security, safety, and peace of mind to even more customers."

Richard West
CFO of Spy Alarms

BEAUFORT WEALTH MANAGEMENT LTD

"Receiving backing from OakNorth is tremendous validation for our business, and puts us in great company amongst some of the country's greatest entrepreneurs and business leaders."

Phil Hart
Co-founder and Managing Director of Beaufort Wealth Management

STRATEGIC REPORT

The Directors present their Strategic Report for OakNorth Bank Plc for the year ended 31 December 2024.

Our strategy and business model and performance overview

OakNorth Bank Plc (referred to as 'OakNorth,' 'OakNorth Bank,' 'the Bank,' or 'the Company') is a founder-led organisation dedicated to empowering ambitious entrepreneurs and businesses, since its inception in September 2015. Our mission is to support and enable small-to-medium-sized businesses seeking to scale. We provide these fast-growing and ambitious businesses with fast, flexible, and structured debt financing—offering business loans ranging from £1 million to tens of millions—while also helping savers grow their wealth through our award-winning savings platform.

We offer business loans in both the UK and US, across various sectors and for a wide range of purposes, including but not limited to growth, mergers and acquisitions, management or shareholder buyouts, working capital, financing property development or refurbishment projects, and property investment portfolios. Our approach is rooted in serving a diverse and carefully selected range of market sub-segments. We take a granular approach to credit evaluation and continuously monitor these sub-segments using sophisticated stress-testing methods to ensure robust risk management and sustainable growth.

2024 Financial Review - A year of continued strong financial performance

Key metrics for the year ended (unaudited)	2024	2023	Year-on-year variance
Profit after tax (£ million)[1]	157.8	136.4	16%
Loans and advances to customers (£ million)[2]	4,415	3,848	15%
Return on equity[3]	17%	17%	-
adj. Return on equity[3]	22%	22%	-
Net Interest Margin (%)[4]	7.3%	8.4%	(1.1%)
Total capital ratio (%)[5]	20.5%	19.3%	1.2%
Customer satisfaction & 'fly-wheel' effect measures (Non-financial metrics)			
Net Promoter Score[6]	70+	70+	-
New lending originated via referrals, repeat customers or by OakNorth directly[7]	>80%	>80%	-

[1] Profit after tax attributable to ordinary shareholders

[2] Gross loan balances outstanding excluding provisions. Includes loans and advances of A.S.K Partners of £2.8 million as at 31 December 2024 (2023: £1.2 million).

[3] Return on equity (ROE) is computed as net income attributable to ordinary shareholders expressed as a percentage of average equity capital excluding minority interest. Adjusted ROE is based on average required regulatory equity capital excluding surplus.

[4] All net interest income and fees for Bank, including proportionate share of A.S.K Partners Limited, stated as a percentage of average loan balances.

[5] Regulatory capital expressed as a percentage of risk weighted assets. Details are available as part of separately published Pillar 3 disclosures. For 2023, the ratios are presented for OakNorth Bank only as A.S.K Partners Limited was not subject to regulatory consolidation in 2023. For 2024, the ratios are presented for OakNorth Bank on a consolidated basis, including A.S.K Partners Limited.

[6] Net Promoter Score measures customer loyalty and satisfaction based on survey responses about recommending OakNorth's products and services, rated out of 100.

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

In 2024, we continued to support ambitious entrepreneurs and businesses across the UK as well as in the US, providing over £2.1 billion of gross new lending facilities during the year whilst maintaining a cautious approach to lending. The total drawn loan book increased by 15% to £4.4 billion, whilst total facilities lent grew by 17% to £6.1 billion as at 31 December 2024 (2023: Drawn book: £3.8 billion, facilities: £5.3 billion). The US loan book increased to $373.2 million drawn book and $615.6 million of facilities (2023: Drawn book: $185.1 million, facilities: $243.9 million). During the year we received authorisation from the Federal Reserve and the New York State Department of Financial Services (NYDFS) for establishing a Representative Office in New York. The authorisation enables OakNorth to proactively market its products and services from its US office, while we continue to explore the possibility of acquiring a banking charter at OakNorth group level. There were no other material changes to OakNorth's loan origination strategy, or the lending products offered, compared to the previous year.

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 2024 we continued to maintain Trustpilot rating of 4.8/5 stars and Net Promoter Score (NPS) of over 70. As our deposit portfolio grows, complaints as a percentage of total deposits have declined, reflecting our commitment to positive customer outcomes. We resolve complaints efficiently, often faster than FCA guidelines, with thorough investigations and minimal FOS escalations. Strong monitoring ensures emerging trends are addressed. With our strong customer-led proposition, our UK deposit book grew by 32% to £6.1 billion as at 31 December 2024 (2023: £4.6 billion). Much of the growth came from the increase in the Easy Access and Fixed Rate Individual Savings Accounts (ISA). The Business Current Account balances were not material as at the reporting date. 91% of our deposits are protected under the FSCS scheme as at 31 December 2024 (2023: 92%).

During 2024, the profit before tax (PBT) grew by 15% to £214.8 million. The net interest income increased primarily due to growth in the loan book, offset partially by decline in the net interest margin. The net interest margin for the year was 7.3%, which declined from 8.4% compared to the previous year. This was primarily due to the diminishing impact of deposit pricing tailwinds- i.e. favourable lag in deposit re-pricing compared to the Bank of England (BoE) base rates, as well as due to issuance of Tier 2 subordinated debt during the year. The deposit pricing tailwinds contributed 0.7% to the overall net interest margin in the previous year.

A net provision release of £4.4 million was recorded during the year, compared to a charge of £25.1 million in the previous year, reflecting improvements in the macroeconomic outlook, scenario assumptions, and the underlying fundamentals and operating performance of borrowers. The distribution of the loan book classified under Stage 2 and Stage 3 reduced to 10% in December 2024 compared to 12% in the previous year. The overall credit risk of the loan book remained stable.

Increased investments in product and technology functions, along with strategic initiatives such as business banking, US lending, and other digitisation efforts, coupled with the impact of inflation, led to a slight rise in the efficiency ratio[13]. The ratio excluding investment in business banking technology was 29%, which increased from 27% in the previous year.

Throughout the year, our capital and liquidity positions remained strong, underpinned by prudent risk management. As at 31 December 2024, we held £2.7 billion of unencumbered high-quality liquid assets at the BoE (2023: 1.7 billion), primarily in respect of deposits that are subject to immediate withdrawal. Our total capital ratio as at 31 December 2024 was 20.5% (2023: 19.3%) and Common Equity Tier 1 (CET1) ratio[14] was 17.3% (2023: 18.6%). Throughout the year, we continued to hold surplus capital over the regulatory requirements. To optimise our capital structure and create capacity for future growth, we successfully raised £150 million in Tier 2 subordinated debt capital. Our CET1 capital base continues to grow organically, driven by strong profitability, reinforcing the Bank's financial resilience. Additionally, we distributed our maiden special dividend of £20 million, marking a significant milestone in delivering value to our shareholders.

Technology and operational resilience

Throughout the year, our cloud-based technology and cybersecurity infrastructure demonstrated robust performance and resilience, with systems and processes operating seamlessly. Importantly, there were no significant system downtimes, operational disruptions, or cybersecurity breaches. We continued to make substantial investments in technology-driven initiatives, including the development of a new data infrastructure, the digitisation of customer journeys to enhance experiences, and the improvement of operational efficiencies. As part of our ongoing commitment to innovation, we introduced business banking products such as current accounts with debit card and interest-bearing savings accounts, more widely. These offerings were launched with a focus on customer feedback, enabling us to continuously refine our customer offerings.

Business and economic review and outlook

In 2024, the global economy remained unsettled, shaped by geopolitical tensions, volatile energy markets, and shifting trade policies. While some advanced economies stabilised, emerging markets and the US were the primary drivers of global growth. The outlook for 2025 remains uncertain, dependent on geopolitical events, energy price trends, and structural economic shifts.

The UK economy saw very modest growth, narrowly avoiding a recession. However, fiscal pressures have intensified, with downgraded economic forecasts from the Office for Budget Responsibility (OBR) and the Bank of England lowering its 2025 growth projection to just 0.75%. Rising debt interest payments and weaker-than-expected tax revenues are further straining public finances. Inflation, though easing, remains volatile due to external supply pressures, and high borrowing costs continue to weigh on consumer spending and business investment. Policymakers remain divided on interest rate adjustments, balancing inflation risks with the need to stimulate economic activity. The UK government has announced increased public spending in key sectors such as healthcare, housing, and sustainability, alongside higher borrowing

[13] Cost to income ratio computed as operating expenses as a percentage of net income. Including all technology investments, this was to 31% during the year (2023: 28%). A.S.K Partners Limited contributed to 1% of the total ratio at a consolidated level, which has remained unchanged for both the reporting periods.

[14] 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. For 2023, the ratios are presented for OakNorth Bank only as A.S.K Partners Limited was not subject to regulatory consolidation in 2023. For 2024, the ratios are presented for OakNorth Bank on a consolidated basis, including A.S.K Partners Limited.

and tax rises to fund these initiatives. However, structural challenges such as weak productivity growth, constrained supply capacity, and slowing business investment persist. Real wages may improve in the short term, but uncertainty around hiring and investment decisions could dampen overall economic momentum.

The US economy, which demonstrated resilience in early 2024, may face slowdown as financial conditions tighten and uncertainty around trade policies increases. The Federal Reserve has maintained restrictive interest rates, with expectations for rate cuts in 2025 now more limited, as policymakers remain focused on controlling inflation and ensuring economic stability. Beyond monetary policy, trade developments have added to economic challenges. The proposed new tariffs on imports are likely to place additional strain on supply chains, raising production costs for certain industries and contributing to price fluctuations across key sectors. While some domestic industries in the US may benefit from a reduction in foreign competition, businesses that depend on imported raw materials may face rising costs and supply disruptions. The trade situation has also contributed to broader global economic uncertainty, as key trading partners weigh potential countermeasures that could further disrupt cross-border commerce.

Monetary policy across major economies remains divergent. While the Federal Reserve in the US has maintained a cautious stance on inflation, central banks in the UK and Eurozone have begun shifting toward a more accommodative policy stance to support economic recovery. Geopolitical instability continues to be a key risk, with ongoing conflicts, supply chain disruptions, and energy market fluctuations driving inflation volatility. While the UK has not been directly affected by new trade barriers as of the date of this report, it remains vulnerable to retaliatory measures and shifts in global trade patterns.

Whilst a gradual economic recovery is expected in the UK, fiscal and monetary constraints may limit the momentum. The Bank of England projects that sustained recovery will require structural reforms to enhance productivity, strengthen supply chains, and maintain fiscal discipline. Similarly, in the US, future growth depends on the Federal Reserve's ability to balance inflation control with economic expansion, while managing fiscal deficits and trade policy adjustments. Trade developments will be a critical factor in shaping global economic conditions. If threatened trade restrictions materialise, businesses may face continued cost pressures and weaker international demand. However, any easing of trade tensions could improve supply chain stability and support renewed business confidence. Uncertainty surrounding global trade, geopolitical risks, and monetary policy shifts will be key factors determining economic performance in 2025.

Despite economic and political challenges, the quality of our loan portfolio has remained resilient, supported by conservative net leverage measures, strong collateral coverage, and our proactive Forward-Looking Rating (FLR) approach adopted both at underwriting and throughout portfolio management. The net leverage cover on our cash-flow based business loans was 1.8x (2023: 1.29x), and 91% of our loan book is collateralised (2023: 94%), with an average Loan-to-Value (LTV) ratio of 51% as of 31 December 2024 (2023: 50%).

The past years have tested our business model and lending approach. ON Credit Intelligence's predictive capabilities have enabled us to continue lending with robust credit criteria. Our data analytics provide a granular, forward-looking view of risk, while our strong capital and liquidity position supports our ongoing innovation, US lending expansion, and product/service growth. We continue to monitor closely global economic trends and policy shifts to remain well-positioned to support our customers in the years ahead.

Our strong risk management practices—across credit, capital, liquidity, interest rates, and cyber risk—have enabled safe growth. We continue to maintain high-quality liquidity in cash deposits with the Bank of England and strong CET1 capital, supporting our growth ambitions and resilience in the event of severe stress conditions.

We continue to invest in technology to enhance our fast, data-driven, relationship-led model, unlocking scalable customer value through solutions-oriented financial products. Our focus on developing digital journeys will enable efficiency across the bank and enhance our customer-centric offerings.

Sustainability and energy transition remain critical challenges. Achieving carbon neutrality by 2050 requires reducing emissions, building new supply chains, and deploying low-emission technologies. We are committed to supporting the UK's net zero goals, laying the foundations to help customers transition to greener operations, as detailed in our ESG report.

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 seven values of OakNorth

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

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

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

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

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

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

Say it how it is
We're open and transparent with our stakeholders and encourage honest and constructive input from our team.

Conducting business in a sustainable way

Sustainability and responsibility are core to OakNorth's mission. Entrepreneurs, SMEs, and fast-growth businesses are the backbone of the UK economy, and by integrating environmental and social considerations into our business model, we support the innovators, challengers, and future leaders driving solutions to society's most pressing challenges.

Through our 1 + 1% initiative, we reinforce the positive impact of growth businesses on communities and economies worldwide, supporting charitable causes and socially driven enterprises. We also continue to advance our environmental programs and commitments.

Our climate target is to achieve net zero by 2035. Since 2019, we have offset and reduced our Scope 1 and 2 emissions to net zero and are actively reducing Scope 3 emissions, including supplier and financed emissions. This is just one element of our broader commitment to creating an environmentally sustainable business. We are working closely with our borrowers, employees, the wider industry, and other stakeholders to drive meaningful change. In 2025, we will continue to build on our progress, with further details available in our "Environmental, Social, and Governance Review."

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 key risks are identified and mitigating actions are in place. The most material risks are also overseen by the Board or the Board sub-Committees.

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 a suite of Policies, and from the Policies into the Procedures (Standard Operating Procedures or 'SOPs') that are used by our 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 new loans as well as to our existing borrower portfolio to seek out any emerging trends or specific cases of potential concern.

The Bank's Reserve Adequacy Working Group (RAWG) operates under the mandate from the Board Audit Committee and its membership includes Head of Credit Risk, Chief Financial Officer, and Chief Risk Officer. The Working Group 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; and are also embedded into credit process on new loans.

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 2024, OakNorth Bank had a total capital ratio of 20.5% (2023: 19.3%) and CET1 ratio of 17.3% (2023: 18.6%) 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 2024, 91% of our deposit balances were protected under the Financial Services Compensation Scheme (FSCS)

(2023: 92%). As at 31 December 2024, OakNorth's unencumbered high quality liquid assets included £2,689.0 million of cash at BoE reserve account (2023: £1,637.3 million). Throughout the year, OakNorth complied with all the regulatory liquidity measures and continued to maintain surplus over the requirements. The average Liquidity Coverage Ratio (LCR) during the year was 489% (2023: 365%) and the Net Stable Funding Ratio (NSFR) was 190% (2023: 161%), compared to the regulatory minimum requirement of 100% for both the ratios.

In relation to interest rate risk management, OakNorth actively manages this risk through a comprehensive hedging strategy, addressing timing mismatches in the maturity and repricing of assets, liabilities, and off-balance-sheet positions across fixed and floating rate instruments. We employ a dual approach, utilising natural hedges within our portfolio and using interest rate swaps to mitigate exposure. In 2024, all Interest Rate Risk in the Banking Book (IRRBB) metrics remained within the bank's defined risk appetite.

Operational risk management encompasses several 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 (teams directly responsible for managing risks e.g. business units or operational teams) and second line (independent risk management or compliance functions that oversee and validate the effectiveness of controls and processes implemented by the first 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 to date.

In relation to management of conduct, compliance, and financial crime risks, the Bank has an independent and specialist 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 Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), and the NIST framework.

Detailed information on the RMF and review of key risks is provided in our "Risk Management" report from page 52 onwards.

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 key stakeholders including investors, customers, communities, employees, the environment, regulators, and suppliers.

The Board considers, reviews, and provides robust and independent challenge to the reports and management information that it receives, ensuring that the impact on OakNorth's operations and the interests of the key stakeholders are 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 Leadership Team (ELT) 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. The Board generally holds monthly calls and convenes in-person once a quarter to discuss standing agenda items, including business performance, and to consider strategic matters or hold deep-dive sessions with various functions covering a range of topics.

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 of, acquisition activities, new product launches, expansion in new markets, change management and the governance procedures associated with these initiatives.

Executive directors maintained continuous engagement with investors throughout the year, updating them on the financial results and discussing key strategic initiatives and actions. This is done via periodic formal meetings, including annual general meetings. Investor roadshows are also held for specific capital raising events (e.g. Tier 2 subordinated debt issuance). Other updates are also provided via regular teleconferences.

During the year, the Board approved enhancements to the risk management framework and risk and compliance processes, to ensure they remain aligned to OakNorth's strategic objectives, business and growth strategy, the evolving macroeconomic environment, regulatory frameworks and are consistent with our risk-aware culture. A new Risk Taxonomy was introduced, and the Board approved a new Risk and Impact Matrix, and revised risk appetite metrics focused on key financial, credit, operational, strategic, regulatory and legal risks.

The Board undertook a review of the key strategic priorities of the Bank and reaffirmed the strategic plan 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 a combined severe stress scenario.

The Board held 'deep-dive' sessions across several initiatives focussing on business strategy, acquisitions, growth initiatives, product and technology, operational effectiveness, people and culture, cyber security and climate.

The Board maintained close oversight over the new business growth and the credit quality and performance of the loan book. They reviewed the updates on Forward Looking Rating (FLR) approach and scenarios and the outcomes of stress tests on the loan book. The Board continued to monitor OakNorth's internally developed credit loss models and approved updates to OakNorth's credit and concentration risk appetite metrics, sector limits and enhancements to several credit policies. In addition, the Board received regular updates from the Credit Quality Assurance function.

The Board approved a Tier 2 capital issuance, the dividend policy and the Bank's dividend payment.

Employees

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

The Executive directors maintained continuous employee engagement and communication via OakNorth's weekly 'all-party' calls, online surveys and other intranet communications. In the all-party 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.

The Board received updates on organisational 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, technology 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.

The Board approved the appointment of Lord Adair Turner as Chairman of the Board succeeding Cyrus Ardalan and welcomed Nilan Peiris as the newest Non-Executive Director on the Board. In addition, the Board considered senior management appointments.

Customers

The Board monitored OakNorth's engagement with customers through regular reports it received on customer surveys and data on customer complaints. In addition, the Board received an update on the performance of the Bank's financial products following completion of the Annual Product Review and Fair Value Assessments. In 2024 we continued to maintain Trustpilot rating of 4.8/5 stars and Net Promoter Score (NPS) of over 70.

The Executive Board maintained engagement with the lending customers via customer events, and periodic focus groups and surveys. The Board continued to monitor progress under OakNorth's operational resilience programme and approved the Operational Resilience Self-Assessment, including the Important Business Services and associated Impact Tolerances, as well as the Operational Resilience Policy.

The Board remained supportive of 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.

The Board continued to assess the Bank's compliance with the FCA's Consumer Duty rules, led by Ted Berk as the Board champion, and was supportive of the continuous improvement initiatives being implemented. 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. Executive management maintained ongoing engagement via regular discussions and sessions 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 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. We have regular performance reviews, feedback mechanisms, and engagement on regulatory and compliance matters with some of our critical vendors. Our commitment to responsible procurement ensures fair treatment, transparent contract terms, and timely payments, supporting supplier financial stability. Where relevant, for our material/ critical suppliers, we also collaborate on operational resilience, business continuity planning, and ESG considerations, helping suppliers align with best practices and regulatory expectations.

The Board also approved material outsourcing providers and supplier management frameworks and policies.

Regulators

The Board and the Executive Leadership Team (ELT) continued to maintain an open and cooperative engagement with OakNorth's regulators including the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Throughout the year, the ELT and the Board engaged proactively with the regulators ensuring that they were updated on the strategic initiatives, business and operational performance and any material risks. Scheduled meetings were held with regulators, complemented by regular business updates. The Board reviewed management information to ensure that 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 to ensure future regulation is proportionate and risk-based and, considers both financial stability and the regulators secondary competition and growth objectives.

Communities and the environment

The Board continued to monitor OakNorth's progress on its climate initiatives and commitments throughout the year. The Board considered the framework for managing climate risk including the continued embedding of climate risk within our overall risk management framework and the roadmap for further enhancements. The Board also reviewed the outcome of climate stress tests on OakNorth's loan book.

The Board engaged with industry leaders to discuss climate initiatives, risks, and opportunities for commercial lenders. Executive management 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 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.

Approved by the Board on 27 February 2025 and signed on its behalf by:

Rishi Khosla
CO-FOUNDER
& CHIEF EXECUTIVE OFFICER
28 February 2025

ENVIRONMENT & SOCIAL REVIEW

ENVIRONMENT & SOCIAL REVIEW

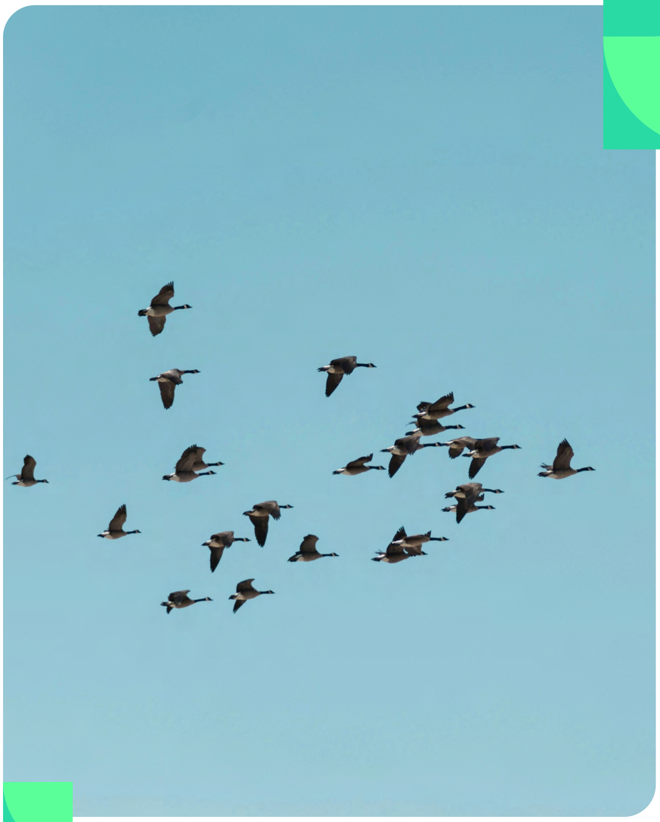
Environment

Businesses, including banks, play a vital role in the transition to net zero, bearing responsibility toward their customers, employees, and communities.

At OakNorth, we're uniquely positioned to leverage our technology and data analytics to support entrepreneurs and growing businesses that are leading with sustainable innovations and models. Our detailed, forward-looking approach to lending enables us to help clients navigate the green transition and thrive, regardless of future challenges.

Since 2019, we have achieved net zero for our Scope 1 and 2 emissions and continue to make strides in reducing Scope 3 emissions, as detailed below. This commitment is part of our larger strategy to build a genuinely sustainable business model that involves our borrowers, employees, the wider industry, and other stakeholders.

In 2023, we published our inaugural Task Force on Climate-related Financial Disclosure (TCFD) report, which provides a crucial framework for assessing climate-related risks. While OakNorth is not required to publish full TCFD disclosures— as we do not meet the current thresholds for listed or large private companies and have only one listed debt instrument— we have integrated these disclosures into the ESG section of our 2024 Annual Report and Financial Statements.



Task Force on Climate-related Financial Disclosures (TCFD)

OUR CLIMATE STRATEGY AND GOALS

Reducing our emissions

Targeting net zero by 2035 for all our Scope 1, 2 and 3 emissions, including our operations and those we finance, with 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, supporting them with education, tools, and resources to assist them in their transition journeys.

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.

TARGETING NET ZERO BY 2035

OakNorth is a modern, digital-first bank, free from the legacy systems and structures of many traditional banks, and with no history of lending to companies in fossil fuel production. Our net zero target covers all our Scope 1, 2, and 3 emissions, including those from our financed activities. With our loan portfolio expected to grow, our focus is on reducing emissions intensity (emissions per $ million of lending) rather than absolute emissions reductions. Our approach focuses on reducing emissions as far as possible before turning to carbon removal credits to address any remaining emissions.

The milestones and interim steps we set out in this document on our journey to net zero include:

Maintaining carbon neutrality for Scope 1 and 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 and 3 emissions of our UK supply chain, including purchased goods and services, by 2028.

Targeting a 60% reduction in financed emissions by 2030

Aiming to reduce 60% of the Scope 3 financed emissions from our loan book by 2030, down from a 2022 baseline.

The assessment of transition and physical risks of climate change are fully integrated into our risk management frameworks and processes.

Short, medium and long-term actions

Phase 1 Short-term: 2023-2026

- Consolidating and building on our strong progress to date with measurement, reduction, and disclosure of climate impact
- Refine and enhance our Scope 3 emissions calculations via customer and industry engagement
- Ensuring a credible, high-integrity approach to decarbonisation, being mindful of best practices and recommendations from the Science Based Targets Initiative (SBTI).
- Continue ongoing climate and net zero education and engagement with both our employees and our customers
- Establish our supplier sustainability engagement plan
- Refine and track our credit risk appetite climate metrics and KPIs
- Develop strategic approach to selective use of robust, verified carbon offsets

Phase 2 Medium-term: 2027-2030

- Ensure all new property financing deals have a path to at least an EPC B rating by 2030
- Continue encouraging our business trading customers to adopt a net zero target of their own, with an ambition to achieve this with 75% of our business trading customers by 2030
- Reduce our financed Scope 3 emissions by 60% vs a 2022 baseline
- Supplier relationships and engagement to transition our UK Scope 3 supply chain emissions to net zero by 2028

Long-term: 2031-2035

- Reduce our remaining emissions as far as possible, deploying robust carbon removals to offset any residual amount and achieve net zero by 2035

Progress against TCFD recommendations

The following table summarises our progress in embedding climate considerations across governance, strategy, risk management, and metrics & targets.

Framework element	Recommendation	Highlights
Governance Disclose the organisation's governance around climate-related risks and opportunities	a. Describe the board's oversight of climate-related risks and opportunities b. Describe management's role in assessing and managing climate-related risks and opportunities	• The Group's climate strategy and risk management are overseen at both the Board and Executive levels, with a clear governance structure defining oversight and responsibilities • The Board actively engages in ESG matters, including climate strategy and risk management, overseeing key decisions such as setting and developing our net zero targets • During the year, Lord Adair Turner, Chair of the Energy Transitions Commission and former Chair of the UK Financial Services Authority, joined OakNorth as Chairman of the Board in January 2024
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• We aim to be ahead of Paris Agreement targets by achieving net zero by 2035 for all our Scope 1, 2 and 3 emissions. Our strategy encompasses three core areas-reducing our emissions, supporting the transition to a low-carbon economy, and integrating climate into our strategy and business model. Our goals and actions are detailed in this report • We have integrated key physical risks into select lending decisions in our risk management processes • Climate transition risk scenario analysis has been performed for our entire loan book utilising granular UK and US sector-specific scenarios aligned with the industry standards Network for Greening the Financial System (NGFS) and Partnership for Carbon Accounting Financials (PCAF) • Insights from the Climate scenario analysis support our Internal Capital Adequacy Assessment Process (ICAAP). No material exposures have been identified as per the latest assessments • Our approach to lending to property sectors includes partnerships, education, tools and resources to assist borrowers in decarbonising the built environment • Our advocacy and thought leadership on climate and decarbonisation for SMEs and growth businesses is enhanced via our memberships of industry bodies such as Bankers for Net Zero, the UK Net Zero Building Carbon Standard (NZCBS), Tech Zero and the Partnership for Carbon Accounting Financials (PCAF)

Framework element	Recommendation	Highlights
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks	a. Describe the organisation's processes for identifying and assessing climate-related risks b. Describe the organisation's processes for managing climate-related risks c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	• Climate Risk is integrated into the Bank's overall Board approved Risk Appetite Statement. It is also integrated into key bank-wide processes and policies, for example loan origination and supplier management. Our climate risk appetite statement prevents any direct lending to exploration, extraction or refinement of coal, oil, gas or mining sectors • Climate risk assessment is an integral part of our lending process, conducted at origination and as part of ongoing reviews. We leverage ON Climate (see section "The ON Climate Framework (Part of OakNorth Credit Intelligence (ONCI)"), sector-specific forecasts, customer disclosures, and key climate data, including EPC ratings, flood risk, and storm vulnerability. If heightened risk is identified, we conduct further investigation, engage with borrowers, and implement tailored mitigation measures such as enhanced insurance, sustainability support, or EPC upgrades. High-risk loans undergo a thorough evaluation by valuers and structural engineers to assess climate-related impacts • We conduct climate stress testing and scenario analysis (CSA) aligned with NGFS scenarios to assess both short- and long-term risks and strengthen our resilience • We estimate Scope 1, 2, and 3 emissions using PCAF scores (3/4) and collaborate with suppliers and borrowers to enhance data quality and improve accuracy
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	• We annually measure and disclose our Scope 1, 2 and 3 emissions for both our operations and financed emissions, while continuing to seek ways to refine and enhance our data quality and methodologies. We are one of the first banks to have estimated the majority of our Scope 3 financed emissions utilising PCAF methodologies and are expanding our approach by incorporating embodied carbon emissions • Our transition planning on achieving net zero includes interim targets of becoming net zero for our UK supply chain by 2028, and a 60% reduction in financed emissions by 2030, against a 2022 baseline • All our lending incorporates climate transition and physical risk ratings, generated using ON Climate. Key risk indicators for climate strategy, governance and transition are central to our climate risk appetite metrics. These indicators are continuously monitored, updated, and integrated into our evolving risk assessment frameworks, with active engagement from customers on climate-related priorities. Our property-related lending processes includes granular unit-level EPC checks to compare against current and upcoming Minimum Energy Efficiency Standards (MEES)

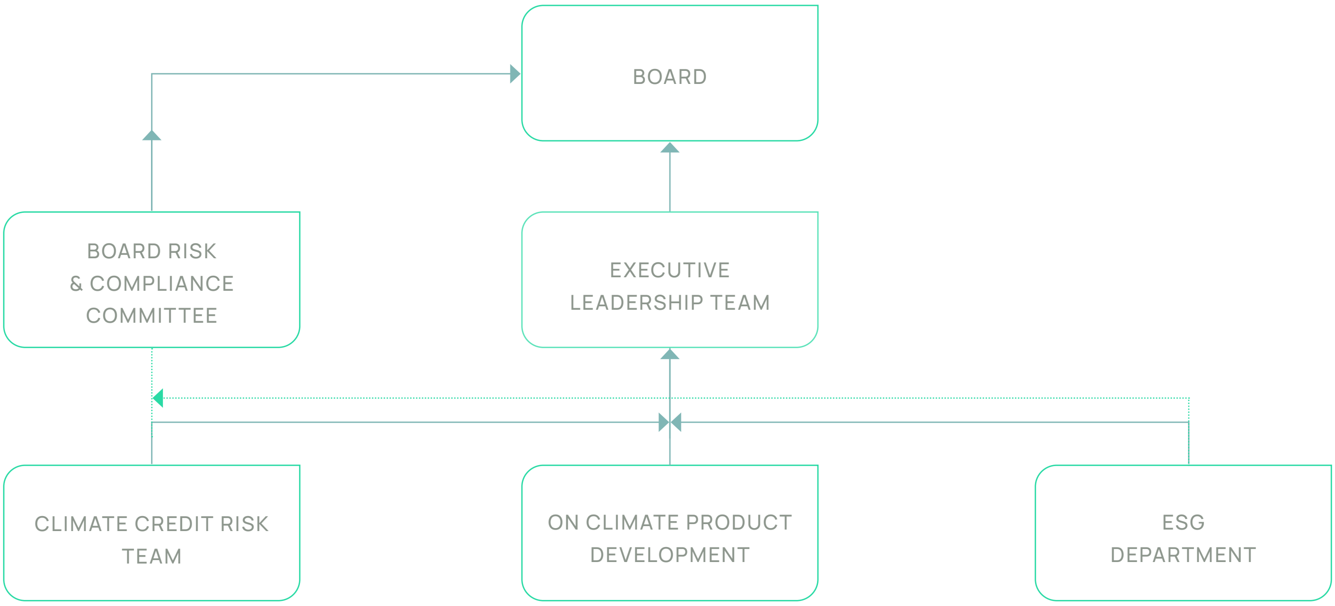
Governance

The Board, led by Lord Adair Turner, holds responsibility for overseeing ESG issues, including climate-related risks, which are integral to OakNorth's broader strategy. This approach to climate risks and opportunities is a key element of the group's strategic direction, with the Board maintaining accountability and oversight. Climate strategy is reviewed by the Board, and climate-related topics are regularly addressed in Board meetings, both as updates and formal agenda items.

The Board Risk and Compliance Committee (BRCC) supports the Board by overseeing ESG and climate responsibilities, having been delegated climate risk oversight. This makes BRCC responsible for assessing the group's climate risk appetite and monitoring adherence to it. Additionally, through its broader oversight of group risk appetite areas like credit risk and capital management through the annual ICAAP review, the BRCC ensures alignment with the overall strategy, where ESG and climate priorities are central. The Group Chief Risk Officer (CRO), designated with the relevant Senior Management Function, manages climate risk and reports quarterly to BRCC on various risk-related matters, including climate risk.

OakNorth is also supported by its Advisory Board which includes Jing Zhang, Head of Climate Research at SASB, IFRS; Lance Uggla, Global Head of Climate & Sustainability investing and co-founder of BeyondNetZero, General Atlantic's climate growth fund, and former Chairman and CEO of IHS Markit.

OakNorth's ESG governance structure



Management roles

CEO – OakNorth's CEO and Co-founder leads the vision and strategic direction for OakNorth's climate approach, shaping the implementation of climate-focused initiatives and their impact.

CRO – OakNorth's Chief Risk Officer holds the designated Senior Management Function for the financial risks from climate change, responsible for identifying and managing climate risks in alignment with the PRA's Senior Managers and Certification Regime.

CFO – The Chief Financial Officer ensures that climate matters are appropriately represented in regulated financial disclosures and statutory reporting.

Head of Credit Risk – Responsible for developing and managing OakNorth's credit risk policies, including those related to climate, the Head of Credit Risk reports to both the Credit Risk Management Committee and the Board Credit Committee.

Executive Leadership Team (ELT) – The ELT operates with delegated authority from the Board, focusing on climate strategy development and its organisation-wide implementation. The ELT also reviews and approves climate-related policies and oversees the management of climate-related risks.

Strategy

We are committed to leading the response, equipped with robust data and analytics, and sharing best practices with our industry peers. Since beginning our journey in 2019, we have reduced and fully offset our residual Scope 1 and 2 emissions, and continually seek ways to further minimise operational emissions without relying on offsets.

The high-growth businesses we finance are well-positioned to implement changes, make investments, and innovate towards reducing their carbon footprints. As a partner to these clients, we have a crucial role in supporting their transition to a low-carbon economy and helping them understand how climate factors may impact their future creditworthiness.

We acknowledge that the greatest impact of our climate efforts lies in managing Scope 3 financed emissions. We are closely monitoring the UK's Sustainability Disclosure Requirements and the Green Labelling rules to ensure reliability and trust in green finance. Our approach integrates climate considerations into all lending decisions, assessing climate risk as part of every transaction.

Many of our financed emissions relate to the energy efficiency and operational emissions of our customers' properties in sectors such as hospitality, healthcare, and real estate development. We are dedicated to supporting the decarbonisation of the built environment and assisting customers in their transitions. Our engagement includes webinars, blogs, and articles on topics such as embodied carbon, environmental certifications, energy efficiency, and carbon offsetting. We work with customers to identify best practices in energy-efficient and low-carbon building features and help others adopt these measures.

Customers investing in existing properties are increasingly optimising energy efficiency, meeting new minimum standards for rental properties, and enhancing tenant benefits. We encourage them to exceed minimum EPC standards with retrofits, backed by industry research demonstrating positive returns through higher rental yields and property values. Through partnerships with experts on environmental assessments and building energy audits, we continue raising awareness of the benefits of energy-efficient upgrades.

For new builds, we ensure properties financed by OakNorth meet or exceed high energy standards, with no property rated below EPC C. By working with experts on embodied carbon and sustainable construction materials, we help customers stay ahead of industry standards and regulatory changes, future-proofing their projects.

Many SMEs and high-growth businesses we finance are not required to disclose their emissions and often lack the resources to measure their carbon impact. We aim to guide them in understanding the business opportunities of decarbonisation, along with the risks of inaction that may affect creditworthiness. We provide our debt finance teams with training on transition discussions, while our portfolio monitoring team supports customers with more detailed questions.

We offer resources, reference tools, and explore partnerships to help customers with their decarbonisation goals. Climate discussions are part of our onboarding process, and we highlight the commercial benefits of net zero commitments. We are beginning to see customers commit to net zero or develop their own transition plans, with our support in navigating environmental standards and securing long-term creditworthiness.

We are increasingly financing customers with advanced climate and decarbonisation strategies, including those whose business models focus on low-carbon solutions. We are proud to partner with businesses demonstrating strong ESG leadership across industries and remain committed to helping all our customers develop robust plans for transitioning to net zero.

Specific examples of our clients' achievements are highlighted in the subsequent sections of this report. By sharing these leading practices, we aim to encourage and inspire more customers to adopt sustainable business practices.

Progress against interim targets

Net zero across our UK supply chain by 2028: Currently, 40% of our existing suppliers have set net zero targets. To accelerate progress, we are collaborating with our top suppliers responsible for 50% of our supply chain emissions, to identify and implement reduction opportunities.

60% reduction in financed emissions by 2030: Financed emissions intensity (emissions per £ millions of lending) decreased from 35.3 in 2022 to 27.7. Under the Delayed Transition scenario, a 51% reduction is projected, but is highly contingent upon decarbonisation through greener energy grids because most of our Scope 2 baseline is related to electricity usage. In line with our targets, all new property financing deals will aim for at least an EPC B rating by 2030, with 81% of our current property investment portfolio already rated EPC C or higher.

Significant progress in measuring and reporting Scope 3 financed emissions: By incorporating actual emissions data from some of our borrowers, we have reduced reliance on estimates and improved our PCAF score from 3.7 to 3.5, reflecting greater accuracy in emissions reporting.

SOME OF OUR CUSTOMERS WITH STRONG ESG CREDENTIALS

Realise

One of the largest providers of apprenticeships and adult education programmes in England. Its courses largely cater to early years and education, health and social care, core skills, and transport, where training is a regulatory requirement for employment, and where there's an ongoing skills shortage.

STOREX SELF STORAGE

With environmental sustainability a key focus, STOREX provides premium sustainable self-storage sites across Greater London, with all locations aiming for BREEAM Excellent certification, operational zero carbon readiness, and significant net biodiversity gains.

VERTO

The UK's leading sustainable housebuilder, and creator of the internationally acclaimed Zero Carbon Smart Home® with over 130 homes built to date across the South West of England. In July 2023, Verto partnered with Octopus Energy, to launch its 'Zero Bills' initiative, designed to roll out the world's first solar, battery, and heat pump equipped homes that promise no energy bills for at least five years.

LNT CARE DEVELOPMENTS

The largest provider of carbon-zero, affordable and high-quality care homes in the UK. The business is on track to build 140 care homes between 2021 and 2026 – the equivalent of around 1 in 3 newly built care homes in the UK. It has been at the forefront of innovation in the design, testing and constructing of industry leading, energy-saving care homes.

D2Zero

A company dedicated to advancing the energy transition by focusing on four key areas: emissions reduction, clean hydrogen, power efficiency and resilience management (including microgrid solutions), and carbon capture and storage. By integrating the expertise of five established companies—Score Group, Hydrasun, Fuel Cell Systems, Powerstar, and Global E&C—D2Zero offers a comprehensive suite of decarbonisation and clean energy solutions.

Newcore Capital

A UK real estate investment manager and certified B Corp, specialising in social infrastructure within the UK. As a specialist investor in social infrastructure real estate in the UK, Newcore invests in assets that are integral to society's needs. Newcore was founded with a belief that capital managers can provide strong returns for investors and intentionally create a positive impact for people and the planet. Its investment strategy strengthens the local economy and facilitates the wellbeing of communities.

VABEL

A visionary developer that sets itself apart through its considerate construction approach, building homes with renewable technologies, such as: LED lights which save up to 90% energy compared to **a traditional bulb**, aerated taps to reduce water flow and cut water usage, heat recovery ventilation systems to circulate fresh filtered air, solar panels to generate renewable energy, and thermally efficient glazing, zonal underfloor heating, and air source heat pumps to control room and water temperatures more efficiently. Where possible, the team also recycle building materials such as bricks and use lime mortar, which has a much longer lifespan than cement and absorbs CO_2 from the atmosphere during its curing process, as well as aim to retain existing building fabric where possible.

Being a facilitator in our customer's transition journeys

In August 2024, we hosted our inaugural "Green-dating" event, where we invited innovative businesses from the sustainability and biodiversity space to present to two dozen of our SME housebuilder, property developers, and property investor customers. The event was designed to introduce our customers to businesses and potential partners that can help them with setting and executing net zero strategies, engaging in energy-efficient building practices, and ensuring regulatory compliance with EPC ratings, MEES, and Biodiversity Net Gain.

The seven businesses that presented were:

- SaveMoneyCutCarbon provides its customers with end-to-end support on their journey to NetZero offering tools and personalised advice every step of the way, as well as delivering measurable financial savings to our customers through sustainable products, services & technologies.
- Sintali works with clients across the built environment sector, helping them consolidate a global sustainability strategy, unlock green finance, quantify their success through certification, and providing advisory on the creation of new verification programmes for specific needs.
- Through the deployment of Endotherm, an award-winning fluid additive, Social Decarb helps reduce tenants' heating costs by up to 15%. Initially targeting disadvantaged homes in the social housing sector, it is looking to extend its roll-out to the private market in the future.
- Construction Carbon provides a centralised embodied carbon management platform for real estate developers and other professionals, clarifying the web of assessment tools, methodologies and guidance. This allows consistent project benchmarking, informed decision making, and reliable carbon reporting.
- Planet Mark is a sustainability certification and net zero provider for organisations and the built environment. For over a decade, it has supported organisations to radically reduce carbon emissions, create operational efficiencies, enhance profits, and work towards the global transition to net zero.
- Firstplanit serves the built and home improvement industry with cutting-edge research in health, wellbeing, and sustainability, enabling those in the industry to execute any building project at the highest standard of health and eco-consciousness.
- Material Index is dedicated to revolutionising sustainability in construction. With their platform, they've enabled the achievement of reuse rates 10 times the industry average, significantly reducing carbon emissions and waste. Through comprehensive BREEAM pre-demolition audits and seamless sourcing of secondary materials, they empower stakeholders to embrace circular economy practices.

The ON Climate Framework (Part of OakNorth Credit Intelligence (ONCI))

The ON Climate Framework provides deep insights into climate risk with a forward-looking approach that considers evolving policies and specific climate events at a granular, subsector level. We're integrating the same credit processes into origination as those being used for ongoing monitoring and for stress-testing. ON Climate evaluates both transition and physical climate risks across our loan portfolio, assessing how climate factors may impact borrowers' financial obligations through three main frameworks:

ONCI Commercial & Industrial (C&I) Transition Risk

Focused on industrial sectors, this framework uses a bottom-up approach for high-emission industries and a top-down approach for low-emission sectors. It assesses the financial impact of transition drivers, such as electrification and carbon capture, on metrics like revenue, operating costs and capex, producing borrower-specific Transition Risk Scores based on Leverage, Business Profitability, and Debt Service Coverage Ratio (DSCR) projections.

ONCI Commercial Real Estate (CRE)[15] Transition Risk

This framework assesses the impact of the low-carbon transition on real estate portfolios, factoring in GHG emission reductions, Capital Expenditure (capex) requirements, and subsequent impact on property valuations and operating incomes. It includes baseline emissions calculations using industry benchmarks, followed by property-specific adjustments to estimate current property emissions. The framework measures Transition risk on a 5-point scale based on projected financial impact from potential transition drivers that would be required to achieve EPC improvement and emission reduction. Framework calculations and underlying assumptions are aligned with industry standards such as the NGFS (Network for Greening the Financial System) and PCAF (Partnership for Carbon Accounting Financials).

ONCI Physical Risk

This framework evaluates acute and chronic climate risks (including floods, windstorms and extreme heat) at the property and borrower level, leveraging geospatial data (procured through vendor partnerships) to project impacts on operational costs, insurance, and repairs. It provides loss scenarios for Average Annual Loss, 100-Year, and 200-Year Return Periods, calculating physical risk scores with ratios like LTV and DSCR.

[15] The term 'CRE' refers to all real estate lending including residential and commercial.

These Frameworks are based on data provided by NGFS across the following six transition pathways:

1. Net Zero 2050 scenario (Early action), limits global warming to 1.5°C through stringent climate policies and innovation, reaching global net zero CO2 emissions around 2050.

2. Below 2°C scenario, gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2°C.

3. Delayed Transition scenario (Late action) assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below °2C.

4. Fragmented World scenario assumes a delayed and divergent climate policy response among countries globally, leading to high transition and physical risks. Countries with net zero targets achieve them only partially (80% of the target), while the other countries follow current policies.

5. Nationally Determined Contributions (NDCs) scenario, which assumes that the voluntary pledges of Nationally Determined Contributions are met.

6. Current Policies scenario (No additional action), which only considers climate policies that have already been implemented.

Leveraging ON Climate for Climate Risk Management

The ON Climate suite developed by ONCI enables us to operationalise climate risk management with granular data, tools, and insights that assess the impact of climate change on Commercial & Industrial (C&I) and Commercial Real Estate (CRE) portfolios at the individual borrower level.

The framework supports calculating emissions intensity across three 'scopes,' as defined by the GHG Protocol's Corporate Accounting and Reporting Standard:

Scope 1: Direct Emissions

Emissions from sources directly owned or controlled by the company, such as on-site fuel combustion (e.g., heating or manufacturing), emissions from company-owned vehicles, and fugitive emissions from leaks in refrigerants or industrial processes.

Scope 2: Indirect Emissions

Indirect emissions associated with the generation of purchased energy (electricity, heat, or steam) consumed by the company but produced offsite.

Scope 3: Other Indirect Emissions

All other indirect emissions occurring within the company's value chain, both upstream and downstream. Financed emissions are reported under Scope 3, Category 15 - Investments, covering emissions from the bank's investments (e.g., loans, equity investments).

ON Climate provides us with capabilities to enhance our climate risk oversight, regulatory readiness, and resilience planning through:

Comprehensive Climate Risk and Financed Emissions Reporting
Facilitates the identification and reporting of climate risks and financed emissions across the loan book, with robust, granular coverage that includes both directly and indirectly impacted sectors. This comprehensive approach supports transparent disclosures for internal and external stakeholders.

Calculates and reports financed emissions across the entire commercial portfolio, achieving a data quality PCAF Score 3/4.

In-Depth Climate Scenario Analysis (CSA)
Conducts bottom-up CSA across the full commercial portfolio, producing annual outputs from 2024 through 2050. This aligns with strategic planning timelines, supporting integrated, long-term risk assessment.

Enhanced Regulatory Compliance and Resiliency Planning
Provides borrower-level climate-adjusted financial metrics that feed into traditional credit risk models, such as Probability of Default (PD) and Loss Given Default (LGD), to generate climate-adjusted PD/LGD values, thereby enhancing regulatory readiness.

Transparent, Defensible Methodology Aligned with Industry Standards
Ensures complete transparency by documenting all quantitative assumptions, climate risk factors, and data sources.

Remains aligned with evolving industry standards and regulations, including NGFS and PCAF, with ongoing updates that reflect changes in legislation, data, and policy frameworks.

User-Friendly Tools and Insights for Risk and Commercial Teams
Offers tools tailored for risk and commercial teams to deepen climate risk understanding within a familiar credit risk framework, improving the organisation's overall climate risk literacy.

With ON Climate, climate scenarios are layered over borrowers' current performance and base case forecasts, projecting their financial metrics—such as gross leverage, Interest Coverage Ratio (ICR), DSCR, LTV for collateralised portfolios, and other relevant metrics—across a timeline from the short term (2025) to the target policy year (2050). These projections reveal whether borrowers fall within, outside, or exceed our credit risk appetite.

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 active members of Tech Nation's Tech Zero which relaunched in July 2024. As a member, we're committed to:

- Annually measuring and publishing our total greenhouse gas emissions.
- Publicly publishing a net zero plan.
- Ensuring a member of our executive team is responsible and accountable for our net zero target.
- Publicly communicating our climate commitments and progress to net zero.
- Aligning our policies and partnerships to our net zero goals.

We are also members of Bankers for Net Zero, which launched in 2019 and brings together banks, businesses, policymakers and regulators to define and implement the interventions needed to accelerate the UK economy's transition to net zero.

In 2023, we joined the Partnership for Carbon Accounting Financials (PCAF), the leading global standard for carbon accounting and disclosure within financial institutions. As members, we actively contribute to defining best practices for tracking carbon emissions from financing activities, with a strong emphasis on refining methodologies, data sources, and calculation approaches. We are especially focused on overcoming the unique challenges in identifying and reporting emissions from SMEs and growth-oriented businesses. Furthermore, we participate as members of the PCAF project team dedicated to "Financing Towards Net Zero Buildings," enhancing our role in shaping how banks can support and measure decarbonisation efforts in the built environment, addressing both operational and embodied carbon throughout a building's lifecycle. We welcome the International Sustainability Standards Board's (ISSB) release of its first global sustainability disclosure standards and aim to align with ISSB requirements as they are introduced.

In 2024, we supported the UK Net Zero Carbon Buildings Standard (NZCBS), which in September, published the UK's first cross-industry Standard for net zero carbon aligned buildings. The Standard is the result of collaboration between built environment organisations and industry leaders spanning architects, engineers, carbon assessors, developers, and more. We were delighted to support the Technical Steering Group during the Standard's development phase, providing our views and input on the public consultation which informed the Standard.

In 2024, we were also proud to partner with Sustainable Ventures, the UK's leading ecosystem for sustainability and green tech innovation. This collaboration positions OakNorth as the preferred banking provider for Sustainable Ventures' network of pioneering green tech companies, supporting their mission to drive sustainable growth and positive environmental impact. Together with Sustainable Ventures, we aim to empower these companies with the financial solutions they need to scale sustainably, paving the way for a greener future. Through this partnership, we are offering access to bespoke banking products and financial services specifically designed to meet the needs of green tech innovators. By working alongside Sustainable Ventures, we are committed to fostering a supportive ecosystem that helps these transformative companies thrive, grow, and amplify their environmental impact.

Risk Management

Our climate risk management approach aligns with our commitment to assess, monitor, mitigate, and govern climate-related risks. This includes evaluating the impact of climate change on our assets and operations, and continuously adapting our portfolio and lending policies to align with low-carbon transition goals.

We define climate risk as the potential impact of climate change on our business model and operations. This risk may arise from financial or reputational factors linked to the shift to a low-carbon economy, or through direct exposure of assets to the physical effects of climate change. Additionally, we consider the risk of missed opportunities that the transition to a decarbonised economy could present, such as the need to adapt products to evolving environmental, technological, and demand landscapes. Delays or missteps in taking action could result in missed market potential or increased risk.

Transition and Physical risks

Transition risks: Transition risks are associated with moving toward a low-carbon economy. Factors influencing this transition include new policies and regulations, disruptive technologies, societal expectations, and evolving scientific evidence or legal frameworks.

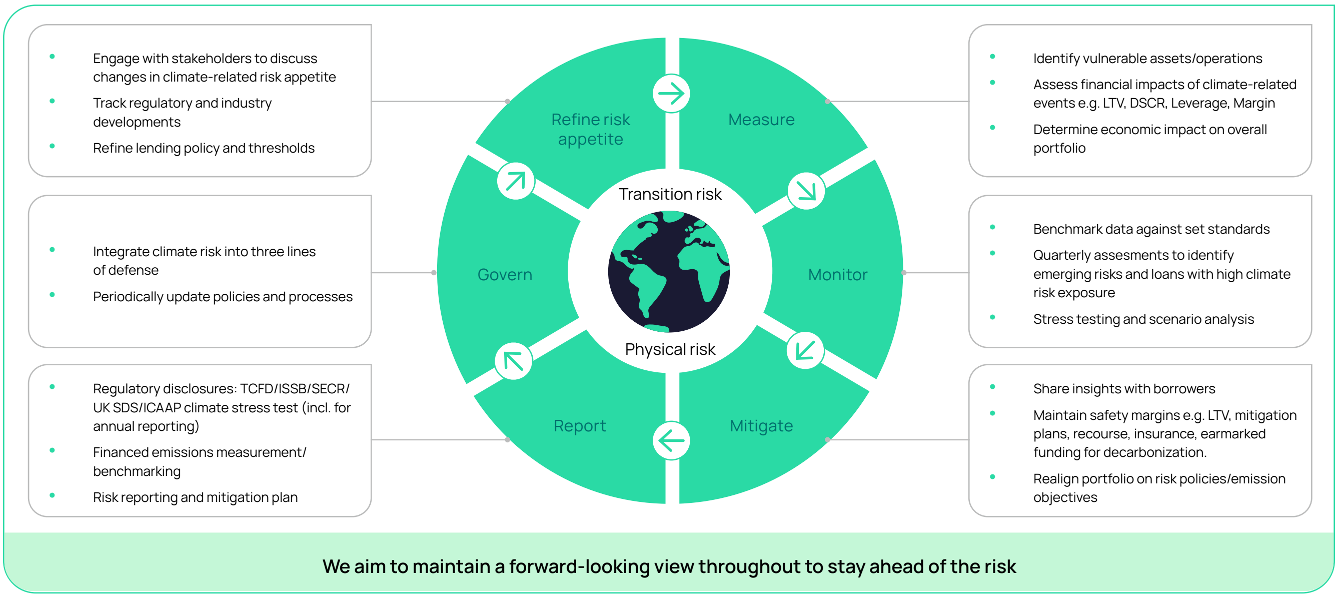
Physical risks: Climate-related physical risks can stem from extreme weather events (such as heatwaves, floods, and wildfires) and long-term climate changes (like rising sea levels and higher average temperatures). Physical risks are categorised as:

- **Acute:** Event-driven, including severe weather like hurricanes or floods.
- **Chronic:** Gradual shifts in climate patterns, such as sustained temperature increases or recurring heatwaves.

Risk Management Framework (RMF) and Three Lines of Defence Model (3LOD)

Our enterprise-wide RMF, approved by the Board, complies with regulatory requirements to identify, measure, monitor, and manage key risks. Climate risk is fully integrated into our RMF and regularly re-evaluated to ensure it addresses current market challenges.

Our target framework to manage climate risk:



Three lines of defence model

Our approach to managing climate risk follows the Three Lines of Defence (3LOD) model, ensuring clear roles and accountability across the organisation:

First line (Ownership): Business line management with support from ELT and the Board, is responsible for embedding climate risk strategy.

Second line (Oversight): The Risk and Credit Risk functions independently monitor climate risk adherence, report control breaches, assess risk management practices, and track climate Key Risk Indicators (KRIs). The CRO oversees climate risk management for this line.

Third line (Assurance): This function leads audits, owns the annual Internal Audit Plan, and provides independent assurance on ESG and climate risk.

Climate risk appetite and strategy

Our Climate Risk Strategy is formalised in a detailed Risk Appetite Statement, defining the levels of climate risk acceptable in achieving our objectives. We recognise climate change as a significant, industry-wide risk, and we have developed a comprehensive program to integrate climate risks into our risk management frameworks, governance structures, and operational processes.

To strengthen our climate risk management, we've introduced climate-specific key risk indicators (KRIs) in credit assessments to monitor both transition and physical risks affecting counterparties. Our approach to financing is cautious, with minimal exposure to sectors directly tied to fossil fuels and properties with high climate risk (e.g., flood-prone or low energy efficiency properties). Additionally, we regularly measure financed emissions to support OakNorth' s net zero goals.

Forward-Looking forecasts and climate scenario analysis

Using forward-looking forecasts, we evaluate potential impacts of the transition to a low-carbon economy on our loan book. In our 2023/24 assessment, none of the Bank of England's Climate Biennial Exploratory Scenario (CBES) models—Early Action, Late Action, and No Additional Action—indicated expected losses, underscoring the resilience of our portfolio to climate-related transition risks.

Integrating climate risk into credit risk management

Climate risk is a fundamental consideration within our credit risk management framework. We have established specific risk appetite metrics to guide climate-conscious lending decisions, and we exclude financing for businesses engaged in fossil fuel extraction or processing.

Both Transition and Physical Risks are now an integral part of our credit risk assessment.

Transition Risk

- **Assessment:** Climate risk and refinancing risk are evaluated for C&I, Investment, and Development loans using ON Credit Intelligence (ONCI) 'Standard' Climate Models, which are documented in credit papers.
- **Engage and learn:** We regularly engage high-risk borrowers to understand and assess their decarbonisation strategies.
- **Energy Performance Certificate (EPC):** EPC ratings are tracked for each property, with ongoing efforts to integrate collateral-level tracking through collaboration with our technology function.

Physical Risk

- **Assessment:** The Physical Risk assessment for real estate loans combines property and loan data with geospatial risk insights to evaluate risks through 2050. Using varied climate and loss scenarios, it forecasts impacts on property valuations, expenses, and capital needs, generating climate risk scores based on loan-to-value, debt service, and interest coverage ratios for borrower risk evaluation. Geospatial data provider partnerships enable precise, location-specific analysis.

- **Perils:** Physical Risk currently covers flood, storm, and heatwave risks, with plans to include additional perils such as cold spells and wildfires.
- **Insurance Coverage:** We collaborate with leading insurers and specialised law firms to deepen insights into the insurance industry's risk mitigation strategies.
- **Early Warning Signals:** Quarterly monitoring is conducted for borrowers with high-risk profiles and inadequate mitigants across flood, storm, and insurance coverage. Alerts are triggered where risk remains high, and mitigation plans are insufficient.
- **Due Diligence:** For high-risk loans, we partner with civil engineering contractors and specialists to perform detailed Physical Risk inspections during loan origination, incorporating climate risk into valuation reports.

Emission Measurement

Approach

Financed Emissions Calculation: We use a top-down approach based on sector averages of emission intensity, achieving a PCAF score of 3-4.

Reduction Pathway: The NGFS Scope 1 and Scope 2 reduction pathways, under a Delayed Transition Scenario, guide our forecasts through 2050.

Benchmarking: Our emission intensity, primarily driven by financed emissions, is currently 78% lower than high-street banks and 34% lower than challenger banks.

Path to Net Zero

Actionable Steps: During each review cycle, we assess high-emission loans and take corrective measures, such as monitoring EPC improvement plans. Quarterly stress tests and scenario analyses are conducted to track progress toward emission reduction targets.

This integrated approach ensures that climate risk is actively managed, with forward-looking strategies aligned with regulatory standards and OakNorth's net zero goals. Through comprehensive climate risk assessments, emission reduction commitments, and robust governance, we are well-positioned to support a sustainable future while safeguarding our portfolio from climate-related risks.

ICAAP based on Bank of England's Climate Biennial Exploratory Scenario (CBES)

We apply the Bank of England's CBES scenarios to evaluate the financial exposure to climate-related risks and assess their implications for business models and financial services provision. Our approach considers three scenarios:

Early Action: Gradual carbon policy intensification beginning in 2021, limiting warming to 1.8°C by 2050.

Late Action: A sudden transition starting in 2031, reaching the same 1.8°C target by 2050.

No Additional Action: No new policies, leading to a temperature rise of 3.3°C by 2050, highlighting physical risks from climate change.

In addition to quantifying financial exposure, we assess expected losses under each scenario, ensuring robust planning for climate risk impacts on our loan portfolio.

Transition risk is assessed for all loans, including those with negligible/residual impact, leveraging granular, sector specific forecasts from ON Climate that estimate how a low-carbon policy and technological transition towards mitigating climate change could impact the book across the three scenarios mentioned above. The framework divides the universe of subsectors (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 subsectors.

Direct impact	Indirect impact	Residual impact
Industries with high Scope 1 emissions are included in the category. They are under regulatory radar Point of incidence for penalties/taxation	Industries with high supply chain emissions, and low Scope 1 emission and there is a significant shift in demand and supply dynamics due to climate impact	Subsectors not classified under direct and indirect impact They have minimal Scope 1 and Scope 2 emissions We assess any material impact through supply chain analysis

Direct impact	Indirect impact	Residual impact
OakNorth Loan book: ~0.3% of total • Manufacture of doors and windows of metal • Construction of railways • Manufacture of other general-purpose machinery	OakNorth Loan book: ~65% of total • Business trading - Manufacture of electricity apparatus and Operation of warehousing and storage facilities for land transport activities • Property Development • Property Investment, Holding Loans & Lender Finance	OakNorth Loan book: ~35% of total • Business Trading – Sectors covered other than the sectors covered in direct/indirect impact. Major sectors included in this category are Hotels, Restaurants, Pubs & Bars, Care Homes, and Childcare.

Note: The above table excludes loans in default

We assess physical climate risks by evaluating factors such as flood risk, storm risk, heatwaves, the resilience of buildings, and energy efficiency ratings (EPC) for all collateral in our trading and investment portfolios. Physical risks refer to potential losses caused by climate-related events like floods, cyclones, and heatwaves, which are identified as the primary physical risks by the Bank of England. Based on our current analysis, we do not anticipate material losses from these risks.

To manage these risks, we ensure that borrowers have adequate insurance coverage for relevant physical risks as part of our credit evaluation process during loan origination and in-life portfolio monitoring.

Our assessments cover both severe short-term risks (e.g., floods and storms) and chronic long-term risks (e.g., prolonged extreme heat). We use geospatial data to evaluate the financial impact of these risks on borrowers over different timeframes.

Summary of impacts in the CBES scenarios

Our analysis of both transition and physical risks indicates that while a small number of borrowers may be impacted by climate-related risks, these impacts are well within the existing collateral and financial coverage in nearly all cases. For physical risks, we require borrowers to maintain adequate insurance coverage where relevant. As a result, we do not anticipate material losses across our loan book through 2050 under the various scenarios, as outlined in the table below.

Transition risk scenario	Climate risk impact	Physical risk scenario	Climate risk impact
Early action from 2021 (1.8°C rise in temperature by 2050)	No material expected losses; No loan with LTV > 100%	**Flood Risk** SSP5-8.5[1] (4.4°C rise in temperature by 2050)	No material expected losses; No loan with LTV > 100%
Late action from 2031 (1.8°C rise in temperature by 2050)	No material expected losses; No loan with LTV > 100%	**Storm Risk** SSP5-8.5[1] (4.4°C rise in temperature by 2050)	No material expected losses; No loan with LTV > 100%
No additional action (3.3°C rise in temperature by 2050)	No material expected losses; No loan with LTV > 100%		

[1] SSP5-8.5 is a high-emission, worst-case climate scenario driven by fossil fuel reliance and rapid economic growth, projecting severe global warming by 2100.

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 completeness, 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.

Metrics and Targets

Over the past year, we have made significant improvements to our data collection process, particularly for estimating our Scope 3 emissions across all categories. Given the complexities in obtaining and calculating Scope 3 data, many organisations focus on estimating only their most material or accessible emissions categories. However, we believe that achieving full transparency around our emissions is essential to creating a meaningful, understandable pathway to net zero. To support this commitment, we have dedicated extensive efforts to estimating our full Scope 3 footprint across all emissions categories.

Methodology for quantification and reporting

Our energy consumption and greenhouse gas emissions are calculated in alignment with the GHG Protocol framework, which provides the basis for our approach.

Scope 1 and 2 Emissions

Our Scope 1 and 2 emissions have been calculated using energy consumption data provided by our building energy suppliers. In instances where full data was unavailable for the final quarter, we applied monthly averages to estimate annual totals. To convert our energy use into carbon emissions, we applied the latest country-specific electricity grid emissions factors from carbonfootprint.com, converting kWh into $kgCO_2e$.

Scope 3 Emissions – Categories 1–13

For most supply chain categories, we estimated supplier emissions through a spend-based environmentally extended input-output (EEIO) model. Where feasible, these estimates were replaced with actual emissions data obtained directly from key suppliers. Emissions for new suppliers were estimated based on pro-rated expenditure for 2024.

Business travel emissions, including mileage for personal vehicle use, as well as train and flight data, were consolidated from our internal systems. For employee commuting and remote work, emissions were estimated using data from a survey sample of employees, allowing us to extrapolate overall impact.

For Scope 3 categories 1–8, we relied on emissions factors from the Department for Business, Energy & Industrial Strategy, the World Resources Institute, and the World Input-Output Database to develop accurate estimates.

We have used a spend-based approach to estimate our supply chain emissions. However, for key suppliers with higher emissions impact, we have engaged directly to obtain more accurate emissions data based on their specific activities or services.

Scope 3 Emissions – Category 15: Investments (Financed Emissions)

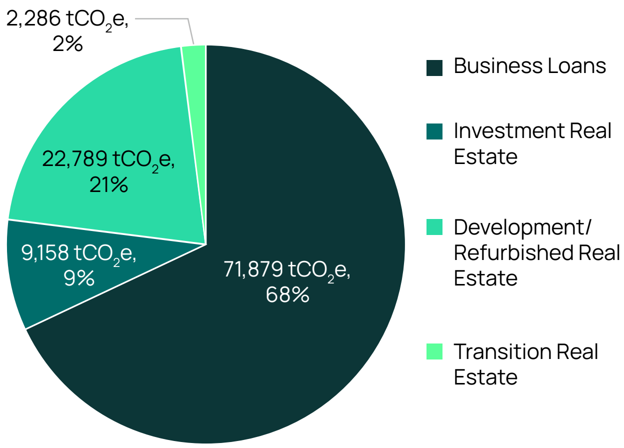
Category 15 pertains to our lending activities. Emissions estimates for this category are derived using economic activity conversion factors tailored to each borrower's industry. For property-related loans, emissions are estimated based on known EPC ratings and floor areas, resulting in an overall PCAF data quality score of 3.5 for reported emissions across our loan portfolio. Currently, this analysis covers 90% of our drawn loan book, excluding emissions associated with specialty finance.

As expected for a financial institution, the largest portion of our Scope 3 emissions comes from our financed emissions, which we calculate using the methodologies recommended by the Partnership for Carbon Accounting Financials (PCAF). PCAF's guidance requires reporting emissions based on outstanding funds, reflecting the financed emissions tied to borrowers' usage of funds at a specific point in time.

For business loans, we estimate emissions by applying standardised emissions factors per revenue unit to each borrower's sector or activity, giving us a PCAF data quality score of 4. For property investment financing (where no construction is involved), we estimate operational carbon emissions based on EPC ratings and floor area, calculating our attributable share of these emissions based on our financing, which results in a PCAF data quality score of 3.

We have 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, which yields in a PCAF data quality score of 4. We have utilised borrower-reported emissions data whenever available, achieving a PCAF score of 1 for these loans.

Financed Emissions Across Different Loans



Financed carbon emissions estimation

Scenario pathways

Our transition planning is guided by several climate scenario pathways, aligned with borrower Scope 1 and Scope 2 emissions and, where relevant, sector-specific emissions in the UK:

- **NGFS Disorderly Delayed Transition:** Applied to Scope 1 emissions trajectories for clients targeting net zero by 2050.

Also used to assess the decarbonisation pathway for the UK electricity grid, particularly for customer Scope 2 emissions.

- **PCAF EPC Emissions Factors:** Applied based on UK property types, referencing the CRREM Global Pathways.

We incorporate climate considerations into client interactions, tracking metrics and monitoring client progress on net zero. This informs our transition planning, credit risk management, commercial opportunities, and client engagement.

Methodology and data sources

Our Scope 3 financed emissions are calculated using PCAF methodologies, which also support our baseline emissions estimates and future transition targets. We set pathways that account for both external factors, such as policy and industry commitments, and internal actions that support our targets.

Baseline year

We reference our 2022 Scope 3 emissions data as the baseline for net zero goals, recognising that data quality and methodologies will improve over time, and we'll adjust our baseline as needed to reflect these enhancements.

Energy Performance Certificates (EPCs)

Energy Performance Certificates (EPCs) classify UK buildings from 'A' (most efficient) to 'G' (least efficient). Under current Minimum Energy Efficiency Standards (MEES), rental properties must have a minimum EPC rating of 'E' to be legally let, with proposals to raise this requirement to 'C' for domestic rentals by 2030. However, many properties currently fall short of this target, highlighting the urgent need for energy efficiency upgrades.

The UK government is conducting a consultation on "Reforms to the Energy Performance of Buildings Regime", exploring ways to enhance energy performance standards. We are actively monitoring these developments and will review and adjust our targets accordingly once the consultation outcomes are published.

EPC ratings are a key factor in calculating emissions for property investment loans. We are committed to helping our clients improve their properties' energy efficiency to meet these standards as part of our climate strategy. Currently, c.81% of our property investment portfolio is rated EPC 'C' or above, and our goal is to achieve full compliance with future standards, encouraging clients to exceed minimum requirements from 2025 onward. For new builds financed through development loans, all properties meet an EPC rating of 'C' or higher upon completion.

Our transition plans incorporate projected EPC improvements and future reductions in emissions factors as the UK's energy grid decarbonises, which would further reduce emissions beyond current model projections.

Limitations of EPCs

It is important to note that EPCs only measure potential energy efficiency based on property characteristics. Actual energy use and emissions may vary depending on occupancy and specific energy providers. We use average EPC emissions factors to estimate emissions for our property investment portfolio but are enhancing client engagement to gain insights into actual energy usage where possible.

Since EPC ratings are valid for 10 years and required only upon sale or lease, some older properties may lack up-to-date ratings. Currently, 5% of properties in our portfolio lack an EPC rating, and we are working with these clients to obtain updated assessments.

(Unaudited)

GHG Emissions and Energy Use Summary OakNorth Bank Plc (standalone)	2024 (Tonnes CO_2e)	2023 (Tonnes CO_2e)
Emissions from activities for which the company own or control including combustion of fuel & operation of facilities	-	-
Total Scope 1 emissions	**-**	**-**
Emissions from purchase of electricity, heat, steam, and cooling purchased for own use	30	28
Total Scope 2 emissions	**30**	**28**
Category 1: Purchased goods and services[1]	3,492	5,023
Category 2: Capital goods	223	277
Category 3: Fuel and energy activity	75	16
Category 4: Upstream transportation and distribution	-	-
Category 5: Waste generated in operations	1	1
Category 6: Business travel[2]	829	659

GHG Emissions and Energy Use Summary OakNorth Bank Plc (standalone)	2024 (Tonnes CO_2e)	2023 (Tonnes CO_2e)
Category 7: Employee commuting[2]	967	1,400
Category 8: Upstream leased assets[3]	322	165
Category 13: Downstream leased assets	-	-
Total reported Scope 3 supply chain emissions[4]	**5,909**	**7,541**
Category 15: Investments, including financed emissions	106,112	107,747
Total reported Scope 3 emissions	**112,021**	**115,288**
Total location-based emissions	**112,051**	**115,316**
Operational Scope 1 and 2 tonnes CO_2e per employee[5]	**0.04**	**0.05**
Operational Scope 1, 2 and 3 tonnes CO_2e per employee[5]	**8.70**	**12.48**
Financed emissions tonnes CO_2e per £mn	**27.7**	**34.8**
Energy consumption used in calculated emissions (kWh)[6]	**304,822**	**229,554**

[1] 2024 calculation is more comprehensive, with an expanded supplier list that now includes non-material vendors. The reduction versus the previous year is primarily due to granular sector classification of suppliers and types of services used to compute emissions.

[2] Impact of increased business travel, partially offset by update to the emission calculation factor.

[3] Impact of additional lease space.

[4] 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.

[5] The employee intensity ratio is computed based on average number of employees till Nov'24. This includes 257 average employees at OakNorth Bank (2023: 194), 426 average employees at ONGPL (2023: 414).

[6] Energy use reported includes kWh from Scope 2 purchased electricity (as required by SECR standards). Energy consumption at OakNorth offices increased due to both a growing workforce and a higher number of employees returning to in-office work.

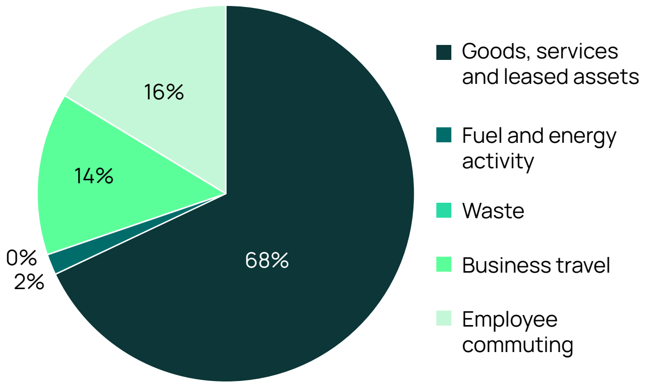
Collective efforts for net zero

Our transition plan incorporates expected external changes, such as minimum EPC standards and the UK's net zero strategy. The decarbonisation of the UK electricity grid will also positively impact Scope 2 emissions for our clients, contributing to OakNorth's overall Scope 3 emissions reductions over time.

Our operations

Although our lending activities are the primary driver of our overall emissions, we recognise the importance of addressing emissions from our own operations. By focusing on reducing our operational carbon footprint, we ensure that sustainability is deeply integrated into our decision-making processes. This commitment also influences how we engage and collaborate with suppliers, encouraging a collective move toward a low-carbon economy, and how we support our colleagues in making climate-conscious choices in their daily work.

Scope emission distribution across various processes

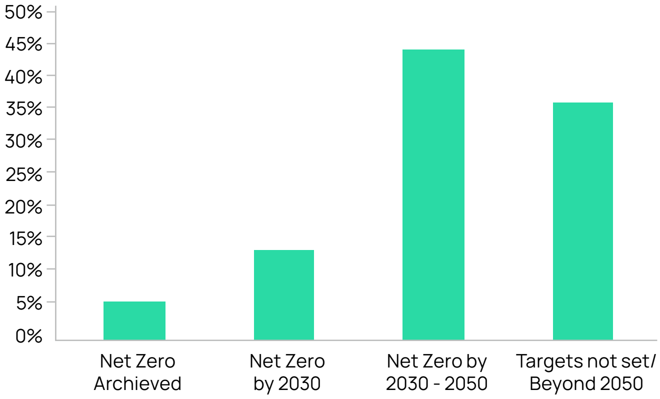


Our head office holds a BREEAM Excellent rating, featuring energy-efficient LED lighting, advanced building controls, and is powered entirely by renewable electricity with no gas used for heating or hot water. Across our leased UK offices, we send zero waste to landfill, and we continue collaborating with property landlords to enhance the environmental performance of the spaces we occupy.

Our suppliers

We actively engage with all OakNorth suppliers to understand their progress and commitments on their transition to net zero. Encouragingly, 40% of our suppliers have already set net zero targets and we are evaluating each supplier based on their current net zero plans.

Scope 3 Supplier spend (% of total spend) vs Supplier net zero target



Note: Includes responses from Tier 1 and 2 suppliers to date, covering 60% of supplier relationships.

We are exploring partnerships with independent third-party risk management providers to streamline the collection, analysis, and management of climate and sustainability data. These partnerships will provide deeper insights into our suppliers' progress on their decarbonisation journeys, allowing us to prioritise efforts more effectively and collaborate toward achieving our shared climate goals.

Use of offsetting

Since 2019, we have maintained carbon neutrality for our Scope 1 and 2 emissions through high-quality offsets, prioritising Gold Standard or Verra-certified nature-based projects. Our long-term strategy focuses on investing in carbon credit-generating projects that provide annual offsets and community benefits. To enhance cost efficiency and predictability, we are exploring Offtake Agreements, while Equity Investments in carbon projects offer long-term sustainability.

As part of our broader net zero strategy, we prioritise emission reductions first, using offsets only for residual and unavoidable emissions. As a key initiative, we opt for Sustainable Aviation Fuel for company travel wherever available. While we continue reducing our footprint, we acknowledge the critical role of offsets in mitigating our impact and supporting the development of carbon reduction technologies.

Social

As a business focused on serving and empowering scale-ups, we are driven by a strong social purpose. Although scale-ups tend to represent a very small proportion of total SMEs, they have an outsized impact. For example, in the US, scale-ups represent just 3.4% of all SMEs, but account for 25% of total SME revenue. Similarly, we know from our research with the Social Market Foundation in 2023, that while scale-up businesses represent just 1% of all SMEs in the UK, they account for 22% of SME turnover and 8% of SME employment. These businesses create jobs, boost productivity, drive innovation, and help increase GDP. By ensuring they have the right support at every stage of their growth journey, we can help maximise their chance of success, and in doing so, enable them to bring immense value to their communities and the economy. This is clearly demonstrated by the fact that the c.£12.3bn we've lent to date has directly supported the creation of 56,000 new jobs and 34,000 new homes– the majority of which are affordable housing.

Our 1 + 1% commitment

As has already been noted several times in this report, OakNorth is on a mission to empower entrepreneurs – they are the change-makers, productivity drivers, visionaries, and innovators who help ensure the world is an exciting and diverse place to live. While we have been giving since our inception, this year marks the fifth anniversary of our 1+1% Commitment, whereby we donate 1% of our group profits and 1% of our team's time to supporting charitable causes and initiatives that are aligned with our mission. Over the years, we have donated millions of pounds, working with dozens of organisations to positively impact the lives of tens of thousands of young people both in the classroom and outside of it.

Our giving centres around programmes and initiatives that will help generate a future pipeline of entrepreneurs and enterprising talent, with a particular focus on the role that mentors and STEAM (science, technology, engineering, arts and maths) education can play in this. Whether a young person ends up becoming an entrepreneur, or working at a start-up, scale-up, large corporate, or publicly-listed company, the benefits of adopting an entrepreneurial growth mindset, and being open-minded and lateral in their thinking, are incredibly beneficial. Through a mentoring programme in their school, a community youth sports team, a reading club, or being taken on a unique adventure, the skills they learn through OakNorth-backed initiatives, are empowering young people to be more creative, collaborative, and confident.

BELOW ARE SOME EXAMPLES OF INITIATIVES WE'RE SUPPORTING WITH

OUR 1+1% COMMITTMENT

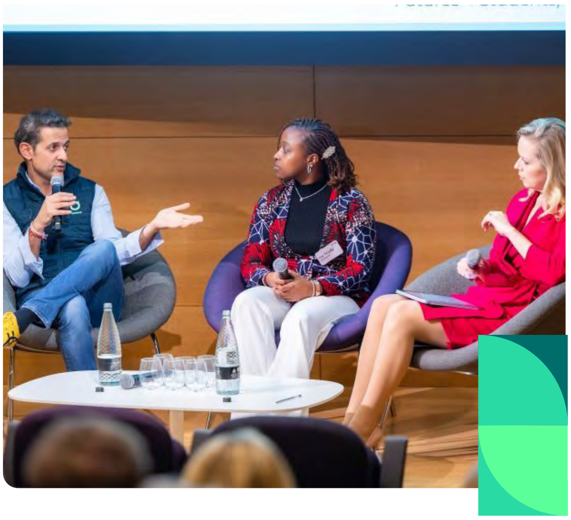
Generate
Entrepreneurship at LSE

'Mentorpreneurship' Programme

Our 'Mentorpreneurship' Programme in partnership with the London School of Economics (LSE) 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 across various programmes including the annual LSE accelerator. These students in turn mentor high school budding entrepreneurs through the award-winning Find Your Cause initiative, who in turn mentor primary school budding entrepreneurs. Launched in 2021, the Programme has so far supported almost 10,000 people in their entrepreneurial journeys with half (49.5%) of participants coming from low-income families or ethnic minorities. Due to its phenomenal success over the last 18 months, the programme has now scaled globally supporting young people from Angola to New York, Dubai to Mumbai. The team has been nominated for five UK and global awards and is looking forward to continuing to engage with even more young people, designing and delivering a series of Entrepreneurship Camps over the summer holidays from the LSE campus in London.

"OakNorth's support has been invaluable to the evolution of the programme and its incredible success to date. Not only have they empowered the initiatives financially, but their commercial acumen, vast and varied network, and encouragement at every stage, has ensured the programme's ongoing success. We have grown Mentorpreneurship to a point that we had never envisaged, creating huge local and global social impact, and this is largely down to the constant and generous backing of OakNorth. We cannot wait to see what the next few years hold!"

LJ Silverman
Head of LSE Generate



F4S

Founders4Schools

In October 2023, we announced a partnership with Founders4Schools, the award-winning ed-tech charity for teachers founded by serial entrepreneurs and angel investor, Sherry Coutu. The partnership aims to support 100,000 secondary school students (11-16 year-olds) – including 40,000 from disadvantaged socioeconomic backgrounds – over the next three years. The programme provides kids with mentorship, tutoring, and career advice across STEM subjects from university students who have chosen subjects that require maths. In return for their volunteering to mentor, the university 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 green/climate science, fintech, life sciences, data science/AI, therapeutic care services, hospitality/tourism, and creative/performing arts. In its first year, the programme collaborated with universities across six cities - Bristol, London, Birmingham, Manchester, Leeds, and Newcastle - reaching over 41,000 students. A diverse group of 220 university students from fields such as AI, design, and gaming showcased their careers, inspiring school students with potential pathways in these industries.

"Our partnership with OakNorth Bank has been nothing short of transformative in its first year. By connecting more than 40,000 students with our volunteer role models drawn from eighteen universities and hundreds of scaleup companies across six cities in workshops, assemblies and classrooms; we've taken significant strides toward unlocking new pathways for future generations. Over the next two years of the programme, we're excited to build on this momentum, equipping at least an additional 70,000 young people with the skills, confidence, and mindset needed to seize opportunities in growing industries."

Sherry Coutu CBE
Founder of Founders4Schools

"I wanted to become a university ambassador for F4S because I thought that you can't be what you can't see. And so, being an ambassador gave me the perspective that my story would inspire students who come from a disadvantaged background to be able to want to come to university and pursue a degree – either bachelors or masters in STEM. I think it's important for secondary school students to be able to listen to stories from university students because they're able to appreciate the background they come from and the hardships that they faced and just to see that it's not impossible to get to where they want to be."

Ivy Trudy Muthoni
A university ambassador for the programme

Excel Sport

With nearly 30 years' experience, Excel Sport is one of the biggest football coaching companies in Hertfordshire, and one of the few that coaches children of all standards and abilities from complete beginner to the budding superstar. Supported by its scientifically research-based structure, it has nearly 100 teams in its internal league across eight age groups, and its affiliate club, Aldenham Excel FC, participates in the Watford Friendly League.

"The Excel Sunday League provides a great introduction into the world of team play in football. We develop each player in a match style environment for best results. Our ethos remains the same: to provide football for children of all standards, build confidence, learn new skills and above all have fun. OakNorth has been supporting Excel Sport for several years, providing support and resources for thousands of children who are benefitting from learning vital skills such as teamwork and leadership, as well as the physical and mental benefits of engaging in a healthy and active lifestyle."

Adam Lustigman
Partner at Excel Sunday Coaching

Bookmark
Reading Charity

Bookmark

Bookmark is an entrepreneurial and tech-led charity, delivering essential reading support and resources to the children who need it most. It reaches children by partnering with primary schools and community groups in disadvantaged areas, alongside growing its network of volunteers, partners and supporters. Its ambition is to reach 500,000 children in disadvantaged communities across the country by 2027, and OakNorth is proud to be playing a part in helping Bookmark achieve this.

"OakNorth's contributions to both our Story Starter Programme and the library tidy have had invaluable impact in disadvantaged communities across the UK. Thanks to your team's efforts, we packed 146 boxes, benefitting 1,400 children. Additionally, your 18 hours of hard work in the library have helped create an inviting space where reading for pleasure can thrive. We couldn't have done it without you."

The Bookmark Team

PBE

Pro Bono Economics (PBE)

Pro Bono Economics (PBE) uses economic analysis and the unique insight provided by its connection to the social sector to help charities, funders, firms, and policymakers collectively tackle the causes and consequences of low personal wellbeing in the UK. The partnership with OakNorth has enabled experts and economists at PBE to work on a wide range of issues related to low wellbeing, including young people's mental health, education, employment, financial security, poverty, disability, and inequality. In 2024, in addition to the many charities supported, our partnership enabled PBE to convene 150 civil society leaders with the then shadow cabinet, including Labour party leader Sir Keir Starmer, an event that has led to closer working relationships between the sector and the new government.

"By providing multi-year core support for our activity, OakNorth allows us to work in a strategic but nimble way with a diverse range of charities from across the UK. And because the support we provide helps social sector organisations better understand their effectiveness and draw in additional resource to those programmes that deliver the greatest impact, OakNorth's generosity gets multiplied many times over. Ultimately, OakNorth's sustained investment in PBE is a catalyst for wider good across the UK's charity sector."

Matt Whittaker
CEO, Pro Bono Economics

Developing young talent at OakNorth

OakNorth is committed to developing young talent by providing hands-on experience and expanding access to careers in fintech and STEM. Many young people are unaware of the opportunities available or may have misconceptions about required skills. In 2024, we supported 43 individuals through programs like Insight Week, which introduces students to various roles and leadership insights, work experience placements, internships, graduate rotations, and apprenticeships.

These initiatives introduce students and graduates to real-world business functions, leadership, and industry skills. Internships and apprenticeships, particularly for those from disadvantaged backgrounds, provide a pathway to permanent roles, while the highly competitive graduate program offers broad exposure before securing a position. By partnering with Founders and Coders, OakNorth also supports alternative career routes, reinforcing its commitment to nurturing diverse talent and improving social mobility.

Our responsibility to our team

Our employees are integral to fostering a culture of responsibility and sustainability throughout our organisation. We are committed to expanding our programs and initiatives to develop our people while promoting a diverse and inclusive environment. By investing in learning and development, we actively support our team's growth. Our curated courses cover a wide range of personal and professional skills, including communication, leadership, teamwork, sales, and marketing. Additionally, we offer knowledge-sharing sessions, technical onboarding bootcamps, leadership training for new managers, and soft-skills workshops on topics such as presentation, time management, and negotiation.

This year, we were proud to once again achieve an employee engagement score of 7.2/10 at an OakNorth group level, with over 78% of employees rating us highly for inclusivity. A majority also expressed that they would recommend OakNorth as a great place to work.

We are committed to cultivating a workplace that respects and values diverse backgrounds, perspectives, and voices. Our recruitment approach focuses on finding the right talents and competencies, regardless of gender, race, religion, sexual orientation, disability or social circumstances, creating a high-performing organisation. Led by founders of Asian and Hispanic origins, OakNorth brings together a skilled team with varied experiences. This year, we have placed significant emphasis on enhancing cognitive diversity, seeking individuals with unique approaches to problem-solving. Through our collaboration with Basadur Profile, a psychometric tool, we help our teams harness their diverse thinking styles to achieve positive outcomes.

Over time, we have demonstrated our dedication to employee development by supporting training, personal growth, and continuous learning. Many employees have pursued qualifications such as ACCA, memberships in the Royal Institute of Chartered Surveyors, and certifications from the Association of Certified Anti-Money Laundering Specialists.

As part of our 1 + 1% commitment to charitable initiatives, our teams have actively supported numerous charities and institutions worldwide, as detailed in earlier sections.

Human Rights and Modern Slavery Act

Our financial services supply chain primarily includes software service partners and providers of office-related goods and services in the UK. We source products and services globally, ensuring suppliers adhere to strict standards against modern slavery and human trafficking.

We require our suppliers to provide statements or policies addressing slavery and human trafficking, ensuring compliance with the Modern Slavery Act. Our dedicated Supplier Relationship Management team enforces a rigorous supplier risk management process, seeking regular assurances about suppliers' anti-slavery policies and measures. Additionally, we conduct periodic reviews of supplier performance to address any changes in their operations.

Our Code of Conduct underpins a zero-tolerance approach to modern slavery. All OakNorth employees, along with staff from our sister entities in the US and India, complete mandatory online training annually to reinforce this commitment. We assess our supply chain as low risk for modern slavery and have not identified any non-compliant suppliers.

Conduct and compliance principles

We maintain robust systems to manage conduct and compliance risks effectively. Our Whistleblowing Policy allows employees to raise concerns anonymously and ensures timely investigations with appropriate actions.

A range of policies, such as our Compliance Manual, govern conduct and compliance risks, and these risks are regularly reviewed under our compliance monitoring program. All staff are required to complete annual compliance training to stay informed and uphold these standards.

Financial crime

We have implemented comprehensive policies to mitigate risks related to bribery, corruption, money laundering, terrorist financing, fraud, and sanctions evasion. These policies are applied across all business areas, actively overseen by senior management, and embedded into our operations. With a zero-tolerance approach to financial crime, we are committed to acting with professionalism, fairness, and integrity in all business dealings. We continue to enforce effective systems to prevent and combat financial crime in every form.

GOVERNANCE REVIEW

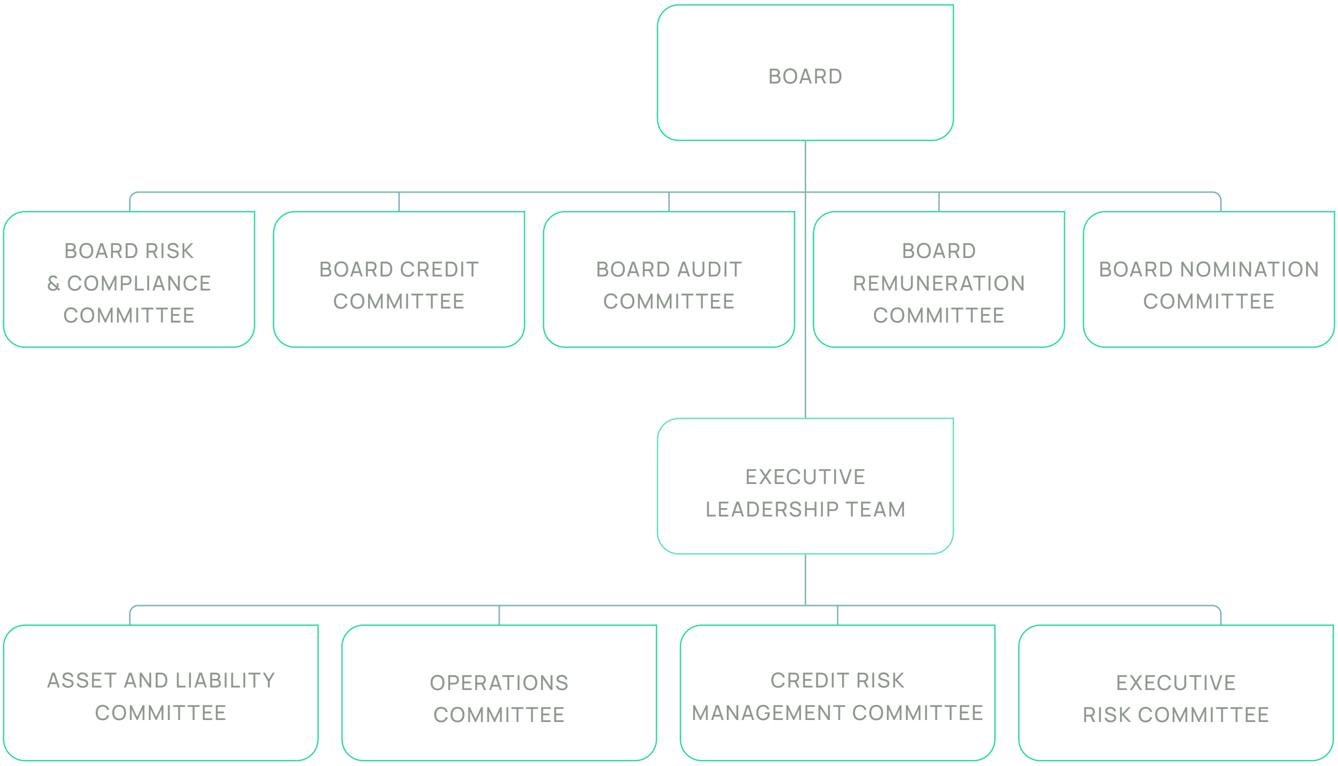
GOVERNANCE REVIEW

Committees

OakNorth is not required to comply with the UK Corporate Governance Code. It, however, voluntarily applies and reports on certain aspects of the 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 ('RMF') 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 holds monthly calls and convenes in-person once a quarter to discuss standing agenda items, including business performance, and to consider strategic matters. In addition, the Board holds deep-dive sessions with various functions covering a range of topics on a quarterly basis. There are further monthly Board meetings to review and discuss matters such as 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 and that of its Committees. 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 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 six Non-Executive Independent Directors, is balanced given the current scale of operations and the desired competencies of the Board members.

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

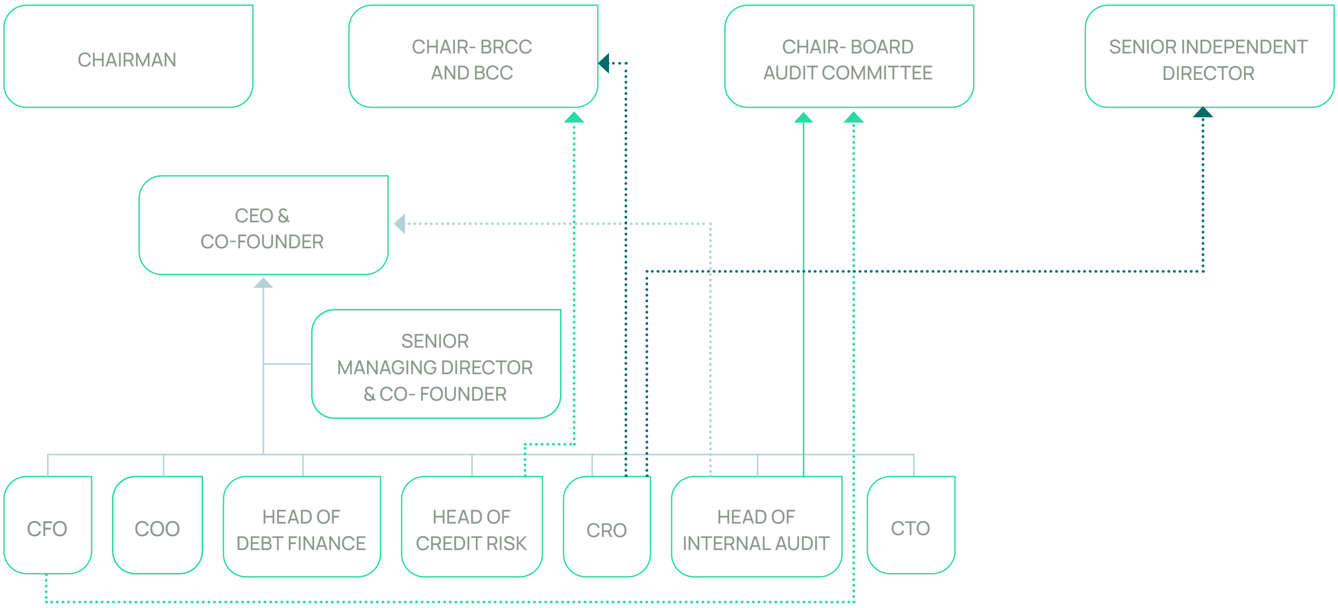
The table below summarises the responsibilities of the various Committees:

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.
Board Remuneration 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 Nomination Committee (NOMCO)	NOMCO is responsible for reviewing the structure, size and composition of the Board, and ensuring that there are succession plans in place considering the challenges and opportunities facing the Bank. In the event of a Board vacancy, the Committee will evaluate the balance of skills, knowledge, experience and diversity on the Board and the capabilities required for a particular appointment to enable them to identify and nominate suitable candidates to fill the vacancy.
Board Risk & Compliance Committee (BRCC)	BRCC takes delegated authority from the Board to oversee the entire risk agenda, excluding Credit risk. It oversees the overall risk framework, appetite, tolerance, and strategy including the impact of key risks materialising and the risks related to changes in strategy or strategic transactions. It seeks assurance in respect of the risk exposures of the Bank, including the adequacy and effectiveness of the Bank's processes and procedures to identify and manage current and emerging risks and the associated internal control framework. It oversees the operational risks facing the Bank and its operational resilience framework and assesses the adequacy and effectiveness of the Bank's anti-money laundering systems and controls. It safeguards the independence of the CRO and the 2nd line Risk and Compliance function and oversees its performance and resourcing.
Board Audit Committee (BAC)	BAC takes delegated authority from the Board for the review and approval of the Internal Audit Plan, Charter and Methodology, and Accounting Policy, including all matters related to expected credit loss (ECL) provisions. It monitors the integrity of financial statements and public disclosures; recommends Annual Report and Financial statements to Board for approval; appoints the external auditors and approves their remuneration; reviews the effectiveness of the Internal Audit function and appoints/removes the Head of Internal Audit.
Board Credit Committee (BCC)	BCC takes delegated authority from the Board to oversee all Credit Risk related matters for the Bank and ratifies larger credit exposures. BCC receives reports from the Credit Risk Management Committee concerning individual credit exposures, and the portfolio and 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 in the loan book.
Executive Leadership Team (ELT)	The ELT takes delegated authority from the Board and is responsible for developing and implementing the Bank's strategy, reviewing overall and business line financial performance against the financial plan, developing and monitoring the Bank's culture, organisational structure and people strategy as well as reviewing the operational performance of the Bank.

Management Committees reporting to ELT	Responsibility
Asset & Liability Committee (ALCO)	Operating under mandate from the ELT, ALCO provides strategic oversight of the Bank's Asset & Liability Management (ALM) policies and practices, 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 the Board.
Credit Risk Management Committee (CRMC)	Operating under mandate from the ELT and 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 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 ELT, 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 ELT and 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 by the Executive Leadership Team with oversight from the Board. The CRO reports to the Board in respect of oversight and challenge for the risk agenda and performance against the risk appetite statements. Capital, liquidity, and interest rate risks are managed on a day to day basis by the CFO with oversight from the ALCO. 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 ELT 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 ELT decision-making, and providing a second independent 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. Reporting processes within Finance including the process for production and review of the annual financial statements are subject to appropriate and proportional maker-checker controls, reconciliation controls and management reviews.

The annual financial statements and disclosures are reviewed and approved both by the ELT 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 & RISK REVIEW

RISK MANAGEMENT

Approach

OakNorth aligns its risk strategy with its business objectives, employing a systematic and disciplined approach to managing inherent risks. By quantifying risks and implementing appropriate mitigation measures, we aim to deliver sustainable, long-term value. Our commitment to continuous improvement ensures that risk management policies, processes, and controls are consistently enhanced to adapt to evolving challenges and opportunities. During the current year we have taken the opportunity to refresh and simplify our risk framework through the design and implementation of a new focused Risk Taxonomy, bank-wide Risk Impact and Likelihood scoring matric and a bank-wide programme to identify and document critical controls for all of the risks in the taxonomy to ensure sufficient focus, and control on the most material risks to the business.

Culture

Our risk appetite framework aligns with our risk culture and business model. The Board plays a pivotal role in fostering a robust risk management culture, establishing clear standards and incentives to promote professional and responsible behaviour. Both the Board and management are committed to embodying OakNorth's values, setting the tone for the organisation's culture.

These values reflect our dedication to delivering positive customer outcomes, maintaining transparency, and managing risk responsibly to achieve long-term value through steady, sustainable, risk-adjusted returns. Risk outcomes and behaviours are integral to compensation decisions, evaluated through a balanced scorecard approach. Additionally, all incentive schemes for material risk takers are governed by malus and clawback provisions, reinforcing accountability and alignment with our risk management principles.

Risk Appetite framework

Our strategy is guided by a comprehensive Risk Appetite Statement, which defines the types and levels of risk we are willing to accept to achieve our strategic objectives. This statement is aligned with clear limits and triggers that support day-to-day decision-making. It is directly linked to the business's key risks, which are dynamically assessed and revised as needed to reflect changes in the operating environment and risk outlook. The framework informs both operational management decisions and business planning, ensuring alignment with our strategic goals.

Risk appetite metrics are monitored at least monthly, with management initiating appropriate actions if any risk tolerances shift into the "amber" or "red" zones.

In 2024, we refined our approach to assessing, articulating, and monitoring key risks. We now track five principal (Level 1) risks: Credit Risk, Operational Risk, Legal and Regulatory Risk, Financial Risk, and Strategic Risk. These are further detailed into 29 Level 2 risks and, at the most granular level, 90 Level 3 risks, representing the most material risks to the business. Key Risk Indicators (KRIs) and Board and Management Risk Appetite measures are aligned to these Level 3 risks, ensuring robust oversight and accountability. The Level 1 risks are the Principal Risks outlined in the subsequent sections of this report.

To further enhance our risk and control environment, we are in the process of identifying and documenting the critical controls used to manage each Level 3 risk. This initiative aims to ensure that these controls are effectively designed and consistently operational.

Risk Management Framework (RMF)

Our enterprise-wide Risk Management Framework (RMF) defines how we assess, manage, monitor, and mitigate the key risks to which the organisation is exposed. Approved by the Board Risk & Compliance Committee, the RMF is supported by comprehensive policies, procedures, controls, and risk measurement indicators, ensuring each risk is effectively managed within our defined Risk Appetite.

The Board delegates oversight of the RMF to the Board Risk & Compliance Committee, Board Credit Committee, and Board Audit Committee. These Committees provide supervision and assurance, supported by independent oversight from the Chief Risk Officer (CRO), Head of Credit Risk, and Head of Internal Audit, ensuring their independence is preserved. Roles and responsibilities are clearly outlined in the Firm Management Responsibilities Map (FMRM).

The RMF is continually reviewed and refined to address the dynamic challenges of our operating environment, including regulatory requirements, industry best practices, and emerging risks. In 2024, we refreshed our risk taxonomy and introduced a new risk impact and likelihood matrix to enhance risk assessment. We also strengthened our assurance framework by reviewing how the second and third lines provide assurance to the Board, with the implementation of a new Combined Assurance Plan designed to ensure that the management of all key risks are independently assessed over the planning period.

Risk policies and controls

OakNorth's governance framework is defined by comprehensive policies and frameworks approved by the Board and its Committees, ensuring all activities align with the Board-approved risk appetite. These policies encompass a broad range of areas, including but not limited to the Credit Risk Management

Framework, Stress Testing, Interest Rate and Market Risk, Financial Controls and Tax Framework, Compliance, Code of Conduct, Conduct Risk, Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Sanctions Policy, Fraud Prevention, Anti-Facilitation of Tax Evasion, Operational Risk, and Data Protection. Operational processes are further detailed where appropriate in Standard Operating Procedures.

A key element of our risk management framework is the Risk & Controls Self-Assessment (RCSA) process. This tool documents and evaluates risks and controls, providing management with assurance that controls are appropriately designed and effective. The RCSA process is supported by First line Business Assurance Testing and second line Assurance via the Risk and Compliance Assurance Monitoring plan. The RCSA is regularly updated and was refreshed in 2024 to align with the new risk taxonomy. Additionally, we are actively documenting all critical controls across the organisation to ensure they are well-evidenced and consistently operating effectively.

Risk Review

Principal risks and uncertainties

OakNorth's principal risks and uncertainties are identified and addressed by the Executive Leadership Team (ELT), with oversight from the Executive Risk Committee and the Board Risk & Compliance Committee. A comprehensive risk review is conducted quarterly, during which each risk is assessed, and mitigation actions are assigned to ensure effective management.

The table below provides a summary of the key risks, the inherent impact and likelihood[16], the corresponding mitigation strategies, and the risk appetite metrics used to monitor and manage these risks. The key risk themes for 2024 are highlighted as follows:

Principal Risks	Risk mitigation
Strategic Risk of internal or external events impacting the delivery of the strategy. **Key Level 2 risks include:** Conduct & Culture and Climate Change & ESG risks **Inherent Impact:** High **Inherent Likelihood:** Likely This risk has remained stable during the year.	• The strategy is set and approved by the Board following a detailed assessment of the risks and opportunities to the business model over the planning period. Performance against this is monitored monthly. • OakNorth is dedicated to placing customers at the core of our business model and strategy. We prioritise transparency in our interactions and are firmly committed to delivering positive outcomes for our customers. Customer outcomes are actively tracked through detailed attention to NPS and feedback gathered from surveys and complaints. These insights, along with metrics on a quarterly Conduct Dashboard, are reviewed regularly to ensure high standards of service and customer satisfaction. • Climate and ESG risks are seamlessly embedded within our Enterprise Risk Management Framework. Climate risk considerations are integral to our credit and strategic risk appetites, and we continuously refine our risk metrics to include the most relevant indicators. We assess the potential impacts of transition and physical risks on all borrowers during loan origination and regular reviews, leveraging robust credit risk management and stress-testing processes. OakNorth does not carry a legacy portfolio in high-risk sectors. Since our inception, we have proactively supported climate change management and transition initiatives. We have committed to achieving net zero, including Scope 3 financed emissions, ahead of the UK government's target timeline. Our TCFD report outlines OakNorth's progress towards its climate goals, detailing how we manage financial risks within our loan book and integrate climate risk into our risk management framework. It also highlights our stakeholder engagement initiatives and ongoing efforts to enhance data collection processes, enabling more accurate estimation and tracking of our overall carbon footprint.
Credit Risk of loss when counterparties fail to fulfil their contractual obligations in full and on time. While this risk is assessed at the individual counterparty level, it can also aggregate across portfolios, potentially increasing overall exposure.	• We have established detailed and prudent lending guidelines and policies, covering key areas such as Debt Service Coverage and Loan-to-Value ratios. Additionally, Credit Risk Appetite limits are defined, including parameters for the average probability of default, loss given default, and sectoral and single-name concentration within the loan book. • Credit assessments are conducted by experienced credit risk professionals, supported by advanced credit analytics provided by ONCI. • A dedicated and experienced Portfolio Monitoring function implements robust monitoring processes to proactively identify, and address risks related to individual borrowers.

[16] OakNorth employs a detailed impact and likelihood matrix to assess risks across key areas, including customers, operations, compliance, financials, and strategy. Impact is classified as severe, high, medium, low, or negligible, based on the likelihood of breaching risk appetite limits over the immediate, medium, or long term. Likelihood is categorised as rare, unlikely, likely, probable, or almost certain, ensuring a structured evaluation of risk exposure. This framework enables systematic risk identification, measurement, and mitigation, supporting proactive decision-making across all business areas.

Principal Risks	Risk mitigation
Inherent Impact: Severe **Inherent Likelihood:** Probable This risk has remained stable during the year	• Macroeconomic risks are fully integrated into our credit origination policies and portfolio monitoring processes to ensure a comprehensive risk management approach. • Monthly stress tests, utilising the proprietary OakNorth Forward Look Rating (FLR) model, provide a granular assessment of macroeconomic risks across various sectors. This ensures that potential vulnerabilities are identified and mitigated effectively.
Operational Risk of loss or the inability of the Bank to achieve its objectives may arise from inadequate or failed internal processes, people, systems, or external events, excluding strategic and reputational risks. **Key Level 2 risks include:** Cybersecurity, Operational Resilience, Model and Data Quality, Records Management, and People Risks. **Inherent Impact:** Severe **Inherent Likelihood:** Likely This risk has remained stable during the year.	• Processes and controls are regularly updated and validated through the ongoing Risk and Control Self-Assessment (RCSA) process, which is subject to continued enhancements to align with evolving risk requirements. • Our Cybersecurity security strategy combines robust preventive measures with advanced detection capabilities to safeguard against unauthorised access and breaches. This strategy aligns with NIST and CQUEST standards, supported by regular internal and external evaluations. Key components include stringent access controls, comprehensive monitoring, robust encryption, dedicated vulnerability management, 24/7 monitoring via an in-house Security Operations Centre, and anti-malware protocols. • Our operational resilience is underpinned by a modern, cloud-based IT infrastructure, clearly defined Standard Operating Procedures (SOPs) with specific controls and accountabilities, extensive automation, and partnerships with reliable service providers, including AWS, Azure, Salesforce, and OakNorth's sister companies, ONGPL and ON Credit Intelligence. Critical business services are defined and can be restored within Board-approved impact tolerances. Efforts are ongoing to meet the Operational Resilience regulatory requirements by the March 2025 deadline, including additional stress testing initiatives. • A comprehensive model risk policy framework is in place to oversee and mitigate risks across the model lifecycle. This framework defines clear roles and responsibilities, with model owners accountable for ensuring compliance with policy requirements, including correct development, implementation, and usage. The second-line Risk function provides an additional layer of assurance by conducting independent validations for high-materiality models during development, significant changes, or routine reviews. This ensures weaknesses or deficiencies are identified and addressed promptly. • Data accuracy remains critical to our operations. A revised data governance framework is under development to enhance the management of Data Quality risk. This framework focuses on identifying and defining critical data elements to ensure accuracy across all use cases.
Regulatory and Legal Risk of financial loss, reputational damage, or operational disruption resulting from non-compliance with applicable laws, regulations, or legal obligations. **Key Level 2 risks include:** AML & Financial Crime, Fraud, Legal and Regulatory Compliance risks. **Inherent Impact:** High **Inherent Likelihood:** Likely This risk has remained stable during the year.	• Comprehensive policies have been established for Anti-Money Laundering, Sanctions, Fraud Prevention, Anti-Facilitation of Tax Evasion, and Anti-Bribery and Corruption. These policies are supported by controls embedded in processes and systems, which are managed by skilled staff in the first line of defence, such as during client onboarding. First-line management oversight and second-line assurance are also in place. • We utilise advanced fraud prevention tools to enhance the efficiency and effectiveness of risk management. Fraud controls continue to evolve alongside Business Banking products, including improvements in customer onboarding and transaction monitoring. Dynamic enterprise-wide risk assessments are conducted across all areas, and controls undergo a continuous improvement programme. • A comprehensive suite of policies and processes supports full regulatory and legislative compliance, with regular updates. Regulatory developments are actively monitored through an automated horizon scanning tool, analysed, and implemented across the business, with compliance training conducted for all staff.

Principal risks	Risk mitigation
	• We maintain robust controls and governance for tax compliance, statutory obligations, financial reporting, and regulatory reporting. Processes are guided by clear policies, maker-checker controls, reconciliations, and management reviews. Material tax compliance is independently reviewed by third-party firms, the Regulatory Reporting Working Group (RRWG) provides governance oversight over regulatory reporting, and Annual Accounts and Financial Statements are externally audited and reviewed by the Board Audit Committee and approved the Board. • The second line of defence continuously executes a Compliance Monitoring Plan (CMP) as part of the wider Risk and Compliance Assurance Plan, covering all business areas on an ongoing basis. • The inherent risks related to AML, Financial Crime, and Fraud within Business Banking remain elevated. However, we believe the controls in place are appropriate given the size, scale, and complexity of the product, and steady business growth has helped mitigate significant spikes in risk. Financial crime risk across other areas of the business has remained stable.
Financial Risk of financial loss or adverse impact on the Bank's financial position resulting from capital, liquidity, funding, market, and interest rate fluctuations. **Key Level 2 risks include:** Liquidity Risk, Capital Adequacy Risk, and Interest Rate Risk in the Banking Book (IRRBB) **Inherent Impact:** Severe **Inherent Likelihood:** Likely This risk has decreased year-on-year, primarily due to stronger capital and liquidity positions.	• A comprehensive set of forward-looking risk appetite metrics have been established to ensure the Bank can meet its liabilities under stressed conditions. These metrics, monitored daily, cover areas such as minimum required liquidity (aligned with internal risk appetite and regulatory requirements), funding concentrations, the proportion of deposits protected under FSCS, and deposit maturities. Risk appetite is reviewed annually as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). • Internal capital planning aligns with the Bank's growth strategy, risk profile, market expectations, and regulatory obligations, as determined through the annual Internal Capital Adequacy Assessment Process (ICAAP). Forward-looking risk appetite limits for capital ratios are set and closely monitored, enabling timely capital management actions to support ongoing business growth. • The Bank maintains a conservative risk appetite for IRRBB exposure. This is actively measured, monitored, and managed using sensitivity analyses, including Economic Value (EV) as the primary measure and additionally Economic Value of Equity (EVE)and Net Interest Income (NII) simulations.

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

Horizon risks	Risk description and mitigation
Macroeconomic and geopolitical risks	• Macroeconomic and geopolitical risks continue to impact the UK market, with global tensions posing potential threats to economic stability and supply chains. Monetary policy uncertainty persists as the Bank of England navigates the balance between inflation control and economic slowdown risks. Inflationary pressures remain elevated, influenced by factors such as the UK Autumn Budget. Additionally, policy decisions by the new US administration could affect growth, inflation, and interest rates, further shaping the economic landscape. • OakNorth continues to focus high-quality underwriting and resilient financial management, incorporating proactive risk assessments and stress testing on its loan book. We also maintain strong capital and liquidity levels and buffers to mitigate potential macroeconomic challenges and ensure continued financial stability.

Horizon risks	Risk description and mitigation
Generative Artificial Intelligence (Gen AI)	• During 2024 OakNorth looked to use Gen AI to enhance and simplify the business. Whilst there are huge opportunities to using Gen AI to enhance controls and make repetitive processes more efficient through automation it is also potentially a threat to the business whereby it could be used by firms seeking to attempt to bypass our security and financial crime controls. • The use of Gen AI to target the OakNorth control environment is not yet materialising, and current control framework are deemed adequate. However, by adopting mitigation strategies, such as continuous awareness training, human oversight monitoring the quality of outputs to correct errors and biases and to retrain models regularly and evolving our security and financial crime controls, we aim to strengthen our defenses and ensure robust protection to better understand and stay ahead of Gen AI use-cases.

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 and risk 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 2024, geopolitical instability and economic challenges continued to shape market conditions.

In the UK, the credit environment remained unpredictable, influenced by various factors affecting both consumers and businesses. While inflation showed signs of stabilising, recent projections suggest renewed upward pressure due to external cost factors and supply constraints before moderating over time. Consumer confidence remained low, with cost-of-living concerns affecting spending behaviour. Low unemployment and wage growth contributed to rising house prices, while inflationary pressures and higher energy costs impacted consumer spending. Real estate development continued to face challenges, constrained by labour shortages, material supply issues, and interest rate conditions. Interest rates are expected to decline at a slower pace, affecting both debt repayment and borrowers' willingness to take on new debt.

In the US, the banking sector faced significant challenges, particularly in the commercial real estate market, with office assets experiencing substantial pressure. This led some banks to broadly tighten their underwriting standards. Despite these challenges, we identified and executed several strong deals, mainly in the multifamily residential segment and other bespoke asset classes presenting favourable opportunities. Our lending strategy primarily focused on senior co-lending, maintaining a conservative average LTV of approximately 40%. Exits through refinancing to agencies remained robust.

We continued to grow our portfolio cautiously, maintaining strong credit metrics supported by a robust Forward-Looking Rating (FLR) for new transactions and diversifying our lending across all regions. While market spreads in the US are tightening, we remain committed to prudent growth, expanding direct lending in the C&I sectors and selectively continuing our senior real estate lending across multiple asset classes.

Asset quality remained stable and there were no material changes in 2024 as compared to the previous year. ECL coverage reduced to 0.5% as of 31 December 2024, compared to 0.8% as of 31 December 2023, in line with improvements in the macroeconomic outlook as well as reduction in the proportion of Stage 2 & 3 loan book. Consistent with expectations that macro-induced portfolio quality impacts have stabilised, a net release of £4.4 million in ECL provisions was recognised during the year, compared to a charge of £25.1 million in 2023. We continued to maintain conservative net leverage cover of 1.8x on our cash-flow based business trading book (non-collateralised) and an average LTV of 51% on our collateralised loan book (LTV of 52% on our property backed loan book), with 91% of our loan book secured by collateral.

During the year, we implemented internally developed Probability of Default (PD) models for our trading book and Loss Given Default (LGD) models for the entire loan book, following the rollout of internal models for the real estate book in the previous year. All of our internally developed models have undergone external independent validation and are tailored to align more closely with the portfolio characteristics, risk management criteria, and historical default experience of the Bank. The models integrate OakNorth's proprietary Forward-Looking Rating (FLR) approach with macroeconomic variables, scenarios, and weightings to compute both Through-The-Cycle (TTC) and Point-In-Time (PIT)

PDs. As the models are newly developed, their performance is subject to ongoing monitoring under the oversight of the Model Risk Governance Working Group (MRGWG). There were no changes to the Stage 3 specific assessment methodology.

Enhancements to the Bank's staging policy were introduced and embedded during the year, incorporating additional quantitative triggers for staging movements and classifications. However, there was no material impact from these changes, as most of the updated criteria were already applied to the 2023 year-end staging classifications.

Looking ahead to 2025, while the economic outlook for the UK has improved, we continue to take a balanced approach to macroeconomic scenarios and scenario weightings. These scenarios, alongside case-specific considerations for individually assessed Stage 3 exposures, are integrated into our ECL provision models to ensure a comprehensive assessment.

Additional details on IFRS 9 provisions are provided in subsequent sections of 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 adopt a data-driven and forward-looking approach to risk assessment for both potential and existing clients. This process involves a comprehensive evaluation of the client's business, sector, financial capacity, and transaction-specific risks. All risk assessments are conducted in alignment with OakNorth's lending policy and are further enhanced through the use of the proprietary Forward-Looking Rating (FLR) tool. Given the ongoing economic challenges and evolving outlook, a key focus during the year was the continued stress testing of the loan book using the FLR tool. This tool not only evaluates the impact of known risks but also anticipates potential impacts of emerging risks. Updated monthly, the FLR is applied across our borrower portfolio to identify emerging trends or specific cases of concern.

The FLR combines statistical and fundamental models to provide granular insights into sub-sectors of the economy. It divides the economy into detailed subsectors and generates cost and revenue curves based on statistical regression of macroeconomic forecasts and historical sector performance. These curves are adjusted for forward-looking factors and structural changes in industries that may not be captured by macroeconomic forecasts but could influence historical correlations. The model establishes elasticity for cost and working capital projections by analysing correlations between revenue changes and related line items over time using regression analysis. Additionally, regional subsector curves are developed using micro subsector and regional data, incorporating sector-specific KPIs, high-frequency indicators, and alternative datasets. These detailed forecasts are applied to each OakNorth borrower to assess potential impacts on cash flow, default likelihood, and loss potential.

Climate risk remains a critical priority, and we continue to strengthen our approach in this area. Our efforts are guided by defined risk appetite metrics and statements, including limits on exposure to carbon-intensive sectors and businesses with elevated climate risk. Climate risk assessment is embedded within our credit underwriting and in-life monitoring processes. This includes the use of climate risk questionnaires, completed by all borrowers, which serve as qualitative inputs into OakNorth's internally developed PD models. These assessments are complemented by evaluations of both transition and physical risks. Additionally, we are continuously refining our methodology for measuring financed emissions, reinforcing OakNorth's commitment to achieving net zero.

During the year we introduced several enhancements to monitoring, reporting and managing climate risk in our loan book. We enhanced our evaluation of physical risks, particularly storms and floods, in collaboration with a specialist data provider. Climate impact analysis has been streamlined into a simplified table to assess the effects of both transition and physical risks on key financial parameters. Additionally, we have begun collecting Scope 1, Scope 2, and Scope 3 emissions data from borrowers, which are being used for climate impact projections. For projecting financed emissions, we have adopted the embodied emissions approach for the development book, aligning our climate assumptions with the latest NGFS guidelines.

We also continue to refine our granular, sector-specific scenario analyses to assess the potential impact of climate risks on borrowers and capital requirements. FLR forecasts are used to evaluate how low-carbon policies and technological transitions aimed at mitigating climate change may affect the loan book. Our 2024 assessment concluded that no material losses are expected under any of the three Climate Biennial Exploratory Scenario transition scenarios.

Additional details are available in the ESG section of the Annual Report and Financial Statements.

Our approach to credit risk management continues to evolve in line with the growth in both the UK and the US, maintaining a robust framework with clear policies and guidance. While the lending appetite remains unchanged, several enhancements were made to the credit risk management framework to reflect OakNorth's expansion during 2024. As OakNorth's presence in the US grows, the framework was updated to include a specific risk appetite tailored to US lending, along with refinements to risk appetite measures for the broader OakNorth Group. The approach to sector and single-name risk appetite limits was also strengthened, incorporating capital measures to enable effective and dynamic risk management. New policies were introduced in 2024, including Staging and Property Valuation policies.

Credit Risk Governance framework

OakNorth has established a robust Credit Risk Management Framework (CRMF), which functions as a sub-framework within the enterprise-wide Risk Management Framework. Operating under the mandate of the Board and Board Credit Committee, the CRMF provides a comprehensive structure for managing credit risk. Its scope includes the establishment and monitoring of credit policies and procedures, credit and concentration risk appetite limits, and key risk indicators. It also encompasses the credit risk decisioning process, including delegated authorities, portfolio performance and management, risk rating frameworks, the approach to risk-weighted assets, portfolio provisioning, stress testing, and climate risk assessment and management within the loan book.

The effectiveness of credit risk policies and processes is periodically reviewed by the Credit Quality Assurance (CQA) function, which operates independently and reports directly to the Chief Risk Officer (CRO). During the year, a number of additional independent reviews were conducted which included model reviews and review of cases in intensive monitoring.

In addition to the CRMF governance, the RAWG is tasked with developing and maintaining the IFRS 9 provisioning framework and its associated governance. This working group operates under the mandate of the Board Audit Committee and includes the Head of Credit Risk, Chief Financial Officer, and Chief Risk Officer as members. Its responsibilities include reviewing and confirming the adequacy of provision calculations, overseeing the staging approach applied, evaluating scenarios and weightings, assessing the appropriateness of any provision overlays and exceptions, and reviewing matters related to model accuracy, such as back-testing and model effectiveness. The RAWG ensures that the IFRS 9 provisioning and overlays approach aligns with the Provisions Policy and maintains compliance with governance standards.

Credit risk appetite

The Credit Risk Management Framework (CRMF) is underpinned by a Board-approved risk appetite and credit risk strategy, which establishes a robust foundation for managing credit risk while supporting the safe and sustainable growth of OakNorth. The risk appetite is operationalised through measurable Key Risk Indicators (KRIs), ensuring alignment with the Bank's strategic objectives.

Specific credit KRIs include monitoring concentration risk at both individual borrower and sector levels. To mitigate the risk of significant exposure, concentration limits are established to ensure adherence to defined thresholds, thereby preventing an excessive build-up of credit risk across any one sector, product or asset class, and/or single name (aggregated exposures). These measures ensure that credit risk is effectively managed within the Bank's defined risk parameters.

Committees and delegated authorities

Portfolio oversight and lending decisions are managed through the Credit Risk Management Committee (CRMC) and its delegated subsidiary Committee: the Medium Deals Committee (MDC). Each Committee operates within clearly defined delegated authority limits based on a matrix of key credit risk measures, including exposure quantum, product type, collateral, policy exceptions, and watchlist status. Higher-risk transactions, such as single-name exposures exceeding £50 million, are subject to additional review and challenge by the Board Credit Committee (BCC), ensuring robust oversight and governance of significant credit risks.

Credit risk management and monitoring

Our Portfolio Monitoring Team conducts continuous, loan-level monitoring of the performance of all loans. Monthly Forward-Looking Rating (FLR) stress tests are applied at the loan level, generating early warning indicators to identify potential credit quality deterioration under both short- and long-term scenarios. This proactive approach enables the team to prioritise portfolio actions and work effectively with borrowers to address emerging risks.

Early warning indicators are reviewed weekly, and a formal portfolio review is conducted monthly. The outcomes of this review are presented to the Credit Risk Management Committee (CRMC). Both the CRMC and the Board Credit Committee (BCC) oversee the performance of the overall portfolio on at least a monthly basis, supported by comprehensive management information. This includes lending volumes, key credit model performance outputs, rating downgrades, concentration risk (including large exposures), impairments, material recoveries, and performance against established credit risk appetite limits. During the year, a number of enhancements were made to monthly credit MI for better capture of portfolio information.

Additionally, property development loans are closely monitored by OakNorth's in-house monitoring and surveying team, ensuring specialised oversight and management of these exposures.

Credit risk rating

The credit rating of the loan book is driven by the PD. We use internally developed models to calibrate PD scores for each loan. These scores are then used to measure Expected Credit Loss (ECL) provisions.

The newly implemented internal models are aligned to OakNorth's own loss experience and portfolio characteristics. The outputs, therefore, may not be directly comparable with the third party models used in the prior years. We continue to monitor performance of our new models and aim to develop alignment with our internal rating and monitoring classifications.

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 have incorporated FLR inputs into our PD models to deliver credit models which enable a more sophisticated sub sector approach to lending. These credit models are 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 classification for Significant Increase in Credit Risk (SICR). In addition to the IFRS 9 backstop triggers, these include a combination of quantitative indicators—such as breaches of risk limits for interest cover or debt service cover ratios, LTV and loan-to-gross development value—and qualitative indicators, including financial covenant breaches, short-term liquidity concerns, performance deviations versus plan, changes in the quality of guarantees, failure of any material contracted party, project delays, and property development planning permission risks. Borrowers under forbearance measures are also categorised under Stage 2. For Stage 3, the assessment includes identifying objective impairment triggers, such as significant financial difficulty of the borrower, a high probability of bankruptcy, breaches of contractual terms, material litigation, or any other relevant factors identified by the Credit Risk Management Committee (CRMC) that may render the borrower unlikely to pay. This aligns with the European Banking Authority (EBA) guidelines on the application of the definition of default. The IFRS 9 backstop triggers of 30 days past due (DPD) for Stage 2 and 90 days past due for Stage 3 are also applied. Early Warning Signals (EWS) and Intensive Monitoring cases remain classified under IFRS 9 Stage 1.

Each loan exposure is assessed and monitored individually; OakNorth does not employ a general portfolio-level approach to staging adjustments. The criteria for triggering a risk classification or staging review are reviewed periodically by the CRMC. Higher-risk loans, as defined under the Customers in Financial Difficulty (CIFD) Policy, are recommended for classification as Watchlist/ Stage 2 or Default/Stage 3 by the Head of Portfolio Monitoring or Senior Director, Workout & Restructuring. These recommendations are reviewed and approved by the Head of Credit and/or the CRMC.

Transfers from Stage 3 or Stage 2 to Stage 1 occur only when the exposure demonstrates improvement, falling back within standard credit metrics and lending policy appetite, and following a period of sustained performance (typically a minimum of three months of standard trading), as determined by the CRMC. In specific cases, exceptions to staging changes may be applied when sufficient evidence exists that credit risk has not materially increased since initial recognition.

All staging changes, including exceptions, are reviewed and ratified by the RAWG on a quarterly basis, ensuring alignment with governance and risk management standards.

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)

OakNorth prioritises supporting customers in overcoming financial challenges and restoring financial stability as efficiently as possible. Through its Customers in Financial Difficulty (CIFD) and Forbearance Policies, OakNorth may implement forbearance measures designed to achieve better outcomes for both the customer and the Bank.

Forbearance involves concessions provided to borrowers who are facing, or are likely to face, difficulties in meeting their financial commitments. These concessions, which deviate from standard lending criteria, may include payment or covenant-related forbearance. Such measures are granted only when they are expected to restore sustainable repayment capacity and align with the mutual goal of returning the borrower to non-forborne status. Payment-related forbearance is extended only if the borrower is expected to meet the revised terms of the loan.

Forbearance cases are classified under the appropriate risk category—Early Warning Signals (EWS), Intensive Monitoring (IM), Watchlist (WL), or Default—and must be approved through restructuring strategies presented to the Credit Risk Management Committee (CRMC). Cases with a significant increase in credit risk are managed via the Watchlist process. Borrowers showing signs of actual or potential financial stress are categorised appropriately, and mandatory actions are implemented to ensure a well-defined strategy is in place to address the increased credit risk effectively.

From an IFRS 9 perspective, loans under forbearance are automatically classified as Stage 2, reflecting a significant increase in credit risk; and borrowers in default are automatically classified as Stage 3.

Transfers to Stage 1 are permitted once the borrower has completed the Stage 2 probation period, as defined in our staging policy, and is operating within the newly approved facility terms. However, the forbearance flag remains in place for a minimum probation period of two years.

Loans in default or classified as Non-Performing Forborne Exposures—including those restructured under substantially different terms— remain classified as forborne for at least three years, even if the borrower is no longer considered financially distressed. This period consists of one year as non-performing forborne and two years as performing forborne, in accordance with the EBA Guidelines on the Management of Non-Performing and Forborne Exposures.

Forbearance disclosures: As at 31 December 2024, the total loan balances before provisions in Stage 2 were at £358.7 million (2023: £357.8 million), which did not change materially from the previous year. Balances in Stage 3 were at £76.9 million (2023: 91.1 million), which reduced compared to the previous year. As at 31 December 2024, there were 16 loans that had been subject to forbearance, totalling to £193.3 million carrying value before provision (2023: 15 loans, £154.3 million). Of these, 1 loan was in Stage 1 (Intensive Monitoring) totalling to £4.7 million (2024: nil), 8 loans totalling to £117.5 million were in Stage 2 (2023: 5 loans, £94.7 million); and 7 loans totalling to £71.0 million were in Stage 3 (2023: 7 loans, £59.6 million).

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

Credit risk mitigation

(Audited)

OakNorth actively mitigates credit risk through various measures, including the use of eligible collateral. The Credit Risk Management Framework (CRMF) specifies the types of collateral that may be accepted for risk mitigation purposes. These include, but are not limited to, debentures or charges on fixed and floating assets, charges on freehold land or property, personal and corporate guarantees, and cash reserves or deposits. Policy guidance outlines the conditions and methods for collateral valuation to ensure consistency and accuracy.

We also maintain a Valuer Panel Management Policy, which governs the selection and oversight of external valuation firms and quantity surveyors eligible to be part of the Bank's valuation panel.

Collateral reviews are conducted in accordance with the scheduled credit review cycle, with a minimum frequency of once per year. The frequency of reviews may vary based on the specific type of security. Independent valuations are refreshed every three years, and any exceptions to this policy or waivers are subject to approval by the Head of Credit Risk, as per the Valuation Policy. For exposures below £2.5 million, an internal indexation approach is applied in compliance with EBA Capital Requirements Regulation (CRR) rules.

Loan book collateralisation: As at 31 December 2024, 91% of the loan facilities were collateralised by security comprising fixed assets (including property) and charges/debentures on underlying portfolio of assets (primarily property) (2023: 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 51% (2023: 50%). The weighted average LTV of the property backed loan book facilities was 52% (2023: 52%).

LTV distribution of collateralised facilities[1, 2]	As at 31-Dec-24	As at 31-Dec-23
<25%	1%	1%
25%-40%	13%	14%
40%-50%	35%	34%
50%-60%	28%	35%
60%-70%	20%	15%
70%-80%	1%	1%
80%-90%	1%	-
>90%	1%	-
Total	**100%**	**100%**

Note:
[1] All calculations based on total facilities including committed and uncommitted
[2] Excludes loans in default

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

(Audited)

For on-balance sheet financial assets, the maximum exposure to credit risk is represented by the carrying value of the assets as reported on the balance sheet, net of Expected Credit Loss (ECL) provisions. For irrevocable loan commitments, the maximum exposure corresponds to the total amount of the committed facilities.

OakNorth permits drawdowns under property development facilities only after verification by an independent monitoring surveyor of both the incurred costs and the progress of the development. Additionally, all stipulated conditions precedent must be satisfied prior to any drawdown. For other business lending, specific conditions precedent are similarly required to be met before drawdowns are approved.

Collateral obtained as part of lending arrangements is not offset against the reported maximum exposure to credit risk in the financial statements.

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. For interest rate and cross currency risk management purposes, we enter into swaps, including interest rate swaps (IRS) and cross currency interest rate swaps (CCIRS) and foreign exchange (FX) forwards. We do not actively trade in financial instruments or derivatives for trading purposes.

Cash balances are primarily held at the Bank of England. Balances held at other banks and those held in money market funds 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 within the loan book arises when multiple borrowers or exposures share similar characteristics, such that their collective ability to meet contractual obligations may be adversely affected by changes in the operating environment. We continually enhance our approach to concentration limit setting by adopting forward-looking and dynamic methodologies.

To mitigate this risk, we employ a range of control measures, including the establishment and monitoring of concentration limits at the single-name level as well as across granular sectors, subsectors, and product types.

Concentration risk disclosures

Sector categories[1, 2]	As at 31-Dec-24	As at 31-Dec-23
Real estate	51%	56%
Trading loans	49%	44%
Total	**100%**	**100%**

Note:
[1] All calculations based on total facilities including committed and uncommitted.
[2] All real estate categories were 100% collateralised. Trading loans were 81% collateralised (2023: 85%)

Geographic distribution[1]	As at 31-Dec-24	As at 31-Dec-23
London	35%	39%
South of England	13%	18%
North & Midlands	16%	19%
National multi-site	28%	20%
Total UK	**92%**	**96%**
US	**8%**	**4%**

[1] All calculations based on total facilities including committed and uncommitted.

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.

During the current year we have used internally developed PD & LGD models to compute the ECL on Stage 1 and Stage 2 loans. These PD and LGD models leverage historic industry default data as well as OakNorth's own loss experience, 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 MRGWG and the RAWG and at the Board Credit Committee and the Board Audit Committee. The impact of the new models on the final output ECL provision was not material.

Macroeconomic scenarios are obtained from external forecasters. The RAWG, 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 and approved by 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 RAWG. The working group 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 pages 65-67 for details on ECL measurement uncertainty and sensitivity analysis.

Table 1: Maximum exposure to credit risk in the loan book, ECL provisions and Staging

(Audited)

As at 31 December 2024	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	3,976,861	6,838	3,970,023	0.2%	494,609	183	494,426
Stage 2	358,650	6,292	352,358	1.8%	5,815	55	5,760
Stage 3	76,908	8,949	67,959	11.6%	3,800	-	3,800
Total	**4,412,419**	**22,079**	**4,390,340**	**0.5%**	**504,224**	**238**	**503,986**

Uncommitted loan facilities: As at 31 December 2024, OakNorth had £1,251.1 million of uncommitted facilities (2023: £1,083.9 million). These facilities are unconditionally cancellable. This balance includes a facility of £14.8 million provided to the subsidiary A.S.K Partners Limited (2023: £22.1 million).

OakNorth did not have any off-balance sheet exposures on financial and other guarantees (2023: Nil).

A.S.K Partners Limited loans and advances to customers: The subsidiary had outstanding loan balances of £2.8 million as of 31 December 2024 (2023: £1.2 million). These are not included in the disclosures above. There were nil ECL provisions against these as per the individual assessments applied to the loans in line with accounting policy adopted by the subsidiary. The loan book is fully secured by property collaterals.

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**

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

(Audited)

	Maximum exposure	Allowance for ECL	Offset	Net carrying amount	Maximum exposure	Allowance for ECL	Offset	Net carrying amount
	As at 31 December 2024				As at 31 December 2023[1]			
	£'000	£'000	£'000	£'000	£'000	£'000		£'000
Cash and balances at central banks	2,689,013	-	-	2,689,013	1,637,314	-	-	1,637,314
Loans and advances to banks	80,632	-	-	80,632	38,474	-	-	38,474
Investment Securities (UK T-bills/ Gilts/US MMF)	331,238	-	-	331,238	237,660	-	-	237,660
Derivatives[2]	2,809	-	-	2,809	5,765	-	-	5,765
Collateral margin on derivatives	33,328	-	-	33,328	13,747	-	-	13,747
Cash Ratio Deposit placed with BoE	-	-	-	-	13,338	-	-	13,338
Prepayments, accrued income and other assets	18,175	(4,447)	-	13,728	25,836	(929)	-	24,907
Total on-balance sheet	**3,155,195**	**(4,447)**	-	**3,150,748**	**1,972,134**	**(929)**	-	**1,971,205**
Total off-balance sheet-financial and other guarantees	-	-	-	-	-	-		-

[1] 2023 figures have been restated to include A.S.K Partners Limited.
[2] Maximum exposure for derivatives is shown as net fair value on derivative assets as per the financial statements.

OakNorth did not have any other off-balance sheet exposures (2023: 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 Plc)

(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 2024	**3,397,765**	**357,847**	**91,089**	**3,846,701**	**13,260**	**5,082**	**12,219**	**30,561**
Transfers between stages during the year								
– Transfers to Stage 1	76,734	(65,832)	(10,902)	-	5,927	(867)	(5,060)	-
– Transfers to Stage 2	(202,909)	202,909	-	-	(415)	415	-	-
– Transfers to Stage 3	(19,076)	(28,220)	47,296	-	(166)	(427)	593	-
Lending to new customers	1,198,389	2,454	2,106	1,202,949	1,014	6	-	1,020
Net impact of further lending, repayments (including write-offs) and ECL remeasurement on existing customers	(474,042)	(110,508)	(52,681)	(637,231)	(12,782)	2,083	1,197	(9,502)
As at 31 December 2024	**3,976,861**	**358,650**	**76,908**	**4,412,419**	**6,838**	**6,292**	**8,949**	**22,079**
Net change in ECL balances					**(6,422)**	**1,210**	**(3,270)**	**(8,482)**
Of which net impact through P&L					(11,768)	2,089	5,840	(3,839)
Of which net impact through balance sheet (including staging transfers & write-offs)					5,346	(879)	(9,110)	(4,643)

Stage 2 comments: Of the total outstanding loans in Stage 2 as at 31 December 2024, £284.3 million were past due and/or subject to forbearance measures (2023: £245.9 million), and the remaining were in breach of OakNorth's other staging criteria. £347.8 million of the loans as at 31 December 2024 were collateralised by real estate (2023: £337.7 million).

Stage 3 comments: Of the total outstanding loans in Stage 3 as at 31 December 2024, all loans were collateralised by real estate (2023: £89.4 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 2024	**373,439**	**7,139**	**3,902**	**384,480**	**773**	**53**	**-**	**826**
Transfers between stages during the year								
– Transfers to Stage 1	3,850	(3,850)	-	-	26	(26)	-	-
– Transfers to Stage 2	-	-	-	-	-	-	-	-
– Transfers to Stage 3	(489)	-	489	-	(5)	-	5	-
Lending to new customers	301,011	-	-	301,011	106	-	-	106
Net impact of further lending, repayments (including write-offs) and ECL remeasurement on existing customers	(183,202)	2,526	(591)	(181,267)	(717)	28	(5)	(694)

	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 31 December 2024	**494,609**	**5,815**	**3,800**	**504,224**	**183**	**55**	**-**	**238**
Net change in ECL balances					**(590)**	**2**	**-**	**(588)**
Of which net impact through P&L					(611)	28	(5)	(588)
Of which net impact through balance sheet (including staging transfers & write-offs)					21	(26)	5	-

(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	-	-	-	-	-	-	-	-
– 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 balances					**(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 & write-offs)					(2,851)	616	(16,022)	(18,257)

	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	-

	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
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 & write-offs)					(79)	(158)	237	-

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 third party 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".

Economic outlook and uncertainties

In management and the Board's view, while the baseline outlook for the UK economy suggests a gradual recovery, supported by fiscal expansion, cautious monetary easing, and stabilising inflation, significant uncertainties remain. Key macroeconomic and geopolitical risks continue to impact the UK market, with global tensions posing threats to economic stability and supply chains. Monetary policy uncertainty persists as the Bank of England balances inflation control and economic slowdown risks, with anticipated interest rate cuts responding to a cooling labour market and declining business confidence. However, inflationary pressures remain elevated, influenced by factors such as the UK Autumn Budget, while fiscal challenges could complicate policy decisions. Additionally, the new US administration's trade policies, including potential tariff changes, may impact growth, inflation, and interest rates, adding further uncertainty.

Considering both the expected baseline improvements and downside risks, the RAWG deemed the baseline and downside scenarios as appropriate for the IFRS 9 ECL process. Alongside macroeconomic uncertainties, the RAWG also considered the need to assess the performance of new internal models implemented during current and previous years. Given these factors, 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	2024 weightings	2023 weightings
Baseline	60%	60%
Downside 1	35%	35%
Downside 2	5%	5%
Upside	0%	0%

The baseline scenario reflects the most probable economic outlook, while downside scenarios account for plausible stress conditions, aligning with our stress testing framework for internal capital planning. Scenario weightings are determined through management judgment, incorporating an informed assessment of risks and their likelihood. Sensitivity analyses of various scenario weighting combinations were conducted, with no material deviations in Expected Credit Loss (ECL) outcomes observed across the plausible variations considered. Given the emerging risks highlighted above, we will continue to monitor their impact and integrate relevant adjustments into our stress testing assumptions as necessary.

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 2024	BASELINE			DOWNSIDE 1			DOWNSIDE 2		
Scenario weightings	60%			35%			5%		
Key Macroeconomic variables	2025	2026	2027	2025	2026	2027	2025	2026	2027
GDP change	1.8	1.7	1.6	(1.7)	(0.7)	3.0	(2.3)	(2.1)	3.3
ILO Unemployment Rate	4.2	4.5	4.6	5.3	7.1	7.3	6.0	8.3	8.2
Official Discount Rate, BoE	4.2	3.0	2.5	3.5	1.4	1.2	3.0	1.0	0.6
Average Nominal House Price change	2.0	3.6	3.4	(4.5)	(7.9)	(0.4)	(7.8)	(14.0)	(1.1)
CPI change	2.6	2.2	2.2	0.7	(0.0)	1.7	0.1	(0.5)	1.5

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)

Description of economic scenarios

(Audited)

Baseline scenario key assumptions/risks

The baseline assumes a steady recovery in the UK economy, supported by fiscal expansion, cautious monetary easing, and stabilizing inflation. The government's fiscal policies, including increased spending, temporarily boost growth, while core inflation eases gradually due to moderating wage growth. Energy markets remain stable, with oil and gas prices near current levels. The Bank of England continues a measured approach to rate cuts, maintaining a gradual easing cycle. Unemployment remains relatively low, and the housing market shows modest growth, supported by structural supply-demand imbalances.

Downside 1 scenario key assumptions/risks

This scenario assumes worsening global sentiment and heightened geopolitical risks, including increased fears of a spillover from the Russia-Ukraine war and escalating US-China tensions. These developments lead to a moderate but prolonged recession in the UK. Financial markets experience a significant selloff, triggering tighter credit conditions and dampening business investment and consumer spending. The Bank of England adopts an accommodative monetary stance, cutting interest rates below the neutral level while resuming quantitative easing to stabilise financial markets. Housing markets suffer double-digit declines in prices due to tightened lending standards and reduced demand. Inflation dips into negative territory temporarily as demand contracts.

Downside 2 scenario key assumptions/risks

This scenario envisions an extreme global economic downturn driven by severe geopolitical escalations, including fears of NATO involvement in the Russia-Ukraine conflict and heightened US-China tensions. This results in plummeting consumer and business confidence, a freeze in financial markets, and a sharp economic contraction. Inflation plunges into deep negative territory, fuelled by collapsing global commodity prices. The Bank of England slashes rates to near zero and intensifies quantitative easing to mitigate financial instability, but fiscal constraints limit government intervention. The housing market experiences a severe correction, with house prices and turnover falling dramatically. The prolonged recession leaves lasting economic scars, including elevated unemployment and reduced long-term growth potential.

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

While our internally developed PD models are recent, we believe they align more closely with our historical loss experience and incorporate the specific characteristics of our loan book. However, the performance of these models requires ongoing monitoring to ensure they remain robust and operate as intended. Furthermore, significant changes in macroeconomic conditions present an inherent risk to the assumptions applied in the weighting of scenarios.

The RAWG monitors and reviews any 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 RAWG and where applicable, considered in future enhancements and developments of the frameworks and models used in the IFRS 9 provisioning process. As outlined in prior sections, the RAWG debated the applicability of an upside macroeconomic scenario during the current year. Given the recent implementation of new models and the macroeconomic uncertainties, no weighting was assigned to the upside scenario. Additionally, the RAWG also approved c£1.8 million of PMA (2023: nil) to ensure adequacy of ECL provisions coverage on the Stage 1 loan book over the modelled outputs. Output ECL provisions for Stage 3 cases were reviewed individually and debated extensively.

For the US portfolio, which constitutes a small portion of total balances, existing UK credit models have been applied in the absence of a US-specific model, which is scheduled for development in the coming year. Benchmarking reviews support this as a reasonable interim approach, considering key differences in credit metrics, macroeconomic conditions, and sector-specific scenarios between the US and UK. As a result, no additional expected loss adjustments were recommended for the year, with ongoing review planned as US exposure grows.

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

Table 5: Key scenario sensitivities

(Audited)

Sensitivity	2024 (£ million)	2023 (£ million)
Reported ECL	22.1	30.6
Increase/(decrease)		
100% Baseline scenario	(6.0)	(1.2)
100% Downside 1 scenario	6.0	3.1
100% Downside 2 scenario	8.9	4.5

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.

Capital management

(Unaudited)

OakNorth's capital risk appetite statement and framework are designed to ensure the Bank maintains sufficient capital, with appropriate buffers, to meet regulatory requirements while supporting its growth projections, even under stressed conditions. This is achieved through an annual Internal Capital Adequacy Assessment Process (ICAAP), a formal internal capital planning exercise conducted in accordance with the PRA ICAA rules. The ICAAP includes forecasts over a three-to-five-year horizon, during which the Board assesses all material capital risks faced by OakNorth and determines the quantity, type, and distribution of capital required to mitigate these risks effectively.

As part of the ICAAP, the Bank conducts stress testing to evaluate whether additional capital may be necessary beyond the Total Capital Requirement (TCR) and regulatory buffers. Capital adequacy is continuously monitored against the projected growth of the loan book, with regular reporting of capital adequacy and surplus over capital buffers (both forecasted and actual) provided to ALCO, ELT, and ERC on a monthly basis, and to the BRCC on a quarterly basis.

The Bank uses key risk appetite metrics to monitor and measure capital risk, including minimum CET1, Tier 1, and Total Capital ratios, changes in surplus capital under stress scenarios, leverage ratio, and large exposures. These metrics are governed by risk appetite limits defined for business-as-usual conditions, early warning indicators, and internal thresholds.

OakNorth applies the Standardised Approach for calculating capital requirements under Pillar 1 credit risk and the Basic Indicator Approach for Pillar 1 operational risk requirements. The Bank's Tier 1 capital resources include ordinary share capital, Fair Value through Other Comprehensive Income (FVOCI) revaluation reserves, Employee Share Scheme valuation reserves, and retained earnings, with regulatory deductions such as intangible assets and deferred tax balances. The cash flow hedge reserve is excluded from regulatory capital. Tier 2 capital comprises subordinated debt issued by OakNorth. Detailed information on capital resources and requirements is provided in the Bank's Pillar 3 disclosures, available on the Bank's website.

Effective June 2024, OakNorth is subject to prudential regulatory requirements on a consolidated basis, including its subsidiary A.S.K Partners Limited. Until December 2023, the Bank was subject to 'stand-alone' (i.e. solo-consolidated) regulatory requirements. As at 31 December 2024, OakNorth had a consolidated total capital ratio of 20.5% (2023: 19.3% on solo basis) and CET1 ratio of 17.3% (2023: 18.6% on solo basis). The CET1 capital ratio marginally reduced due to growth in loan book. During the year, the Bank paid £20 million of dividends to its Parent company OakNorth Holdings Limited. Additionally, the Bank also raised £150 million of Tier 2 subordinated debt capital during the year, to optimise its capital structure and maintain surplus to fund future business growth.

The regulatory capital requirements, including capital buffers were at 15.3% as at 31 December 2024 (2023: 15.3%), which marginally reduced compared to the previous year due to increase in the proportion of US loan book on which the countercyclical buffer requirements are nil. The Bank remained compliant with all regulatory capital requirements throughout the year and consistently maintained a surplus over its total capital requirements and regulatory buffers. The overall capital surplus as at 31 December 2024 was 5.2%, or £288 million of the total risk weighted assets (31 December 2023: 4 %; £183 million).

Table: Own funds

(Audited)

	2024 Bank group (£ million)	2023 Bank (£ million)
Regulatory capital		
Share capital	389	389
Retained earnings	625	484
Dividend approved post balance sheet date not paid[1]	(40)	-
Other reserves	(3)	2
Deductions for Goodwill and other Intangible assets	(21)	(6)
Deductions for deferred tax assets	(1)	(0)
Deductions for investment in subsidiary	N/A	(14)
Deductions for cash flow hedge reserve	3	(2)
Total Common Equity Tier 1 (CET1) capital	**953**	**853**
Total Tier 1 capital	**953**	**853**
Total Tier 2 capital (Subordinated debt)	180	30
Total regulatory capital	**1,133**	**883**

[1] see note 40

Table: Capital & leverage ratios[1]

(Unaudited)

	2024 Bank group (£ million)	2023 Bank (£ million)
Risk weighted assets		
Credit risk (including Credit Value Adjustment, (CVA))	5,090	4,244
Operational risk	428	333
Total risk weighted assets	**5,518**	**4,577**
Total Common Equity Tier 1 (CET1) capital	**953**	**853**
Total Tier 1 capital	**953**	**853**
Total regulatory capital	**1,133**	**883**
Capital ratios		
Common Equity Tier 1 capital ratio	17.3%	18.6%
Tier 1 capital ratio	17.3%	18.6%
Total capital ratio	20.5%	19.3%
Leverage ratio		
Leverage ratio exposure measure (excluding claims on central banks)	5,262	4,463
Leverage ratio excluding claims on central banks	18.1%	19.1%

[1] The risk weighted assets, leverage ratio exposures and the capital and leverage ratios are computed and presented in accordance with the UK CRD and CRR guidelines and PRA's leverage ratio framework. Details are available as part of separately published Pillar 3 disclosures for OakNorth Bank. For 2023, the metrics are presented for OakNorth Bank only as A.S.K Partners Limited was not subject to regulatory consolidation in 2023. For 2024, the metrics are presented for OakNorth Bank on a consolidated basis, including A.S.K Partners Limited.

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, which arises from disparities in the maturity (for fixed rates) and repricing (for floating rates) of assets, liabilities, and off-balance-sheet positions. Additionally, it stems from alterations in the slope and shape of the yield curve; or

Basis risk, which arises when exposures to one interest rate are hedged using exposures to another rate that reprices under slightly different conditions. This risk arises due to discrepancies in the behaviour of different interest rates.; or

Option or prepayment risk, which arises from options where the institution or its customers have the ability to modify the level and timing of cash flows. This includes embedded options, such as customers redeeming fixed-rate products when market rates fluctuate. Optionality can be either automatic, where exercise is highly probable if it's financially advantageous, or behavioural, where the decision to exercise.

OakNorth has in place an interest rate risk management policy which defines, measures, sets hedging policy statements, and details the governance process around management and reporting of interest rate risk in the banking book. Our interest rate strategy is to optimise earnings predictability and stability. This is achieved with day to day management of assets and liabilities, for example the deposit product mix origination and pricing, according to the prevailing commercial environment, and hedging interest rate risk positions using natural hedges or interest rate swaps for residual positions. Since 2023, we have been lending in the US, which is primarily funded with cross currency swaps, introducing cross currency basis risk – the risk is assessed as immaterial.

OakNorth's Asset and Liability Committee ("ALCO") is responsible for monitoring the risk appetites and monitoring metrics on interest rate risk, including Economic Value ("EV") sensitivity to 200bps shift in the yield curve, application of the prescribed European Banking Authority ("EBA") shock scenarios, and Earnings at Risk ("EaR") assessment.

The EV measures presented below provide an assessment of the repricing exposure on notional positions across various assets, liabilities, and derivative positions, segmented by time buckets, under an instantaneous 200 basis point (bps) upward and downward shift in all yield curves. This analysis offers a comprehensive view of how the net present value of the Bank's notional balance sheet positions would be affected by such a shock. The assessment incorporates the impact of interest rate floors embedded in OakNorth's lending contracts, the average gap to these floors that would be realised before the floors become effective during downward rate movements, and the potential for early repayments in scenarios where the rate floors are triggered. For GBP-denominated asset and liability positions, forward rate curves based on the Sterling Overnight Index Average (SONIA) are utilised to calculate future net interest income, while Secured Overnight Financing Rate (SOFR) forward rate curves are employed for USD-denominated asset and liability positions. Discounting of cash flows is conducted using spot curves derived from these respective benchmark rates, ensuring a precise and robust analysis of the potential impact of interest rate shifts on the Bank's balance sheet.

In 2024, the Bank has transitioned its measurement of Interest Rate Risk in the Banking Book from EVE (Economic Value of Equity) to EV (Economic Value). EV provides a full balance sheet measure of Interest Rate risk, whereas EVE excludes Equity. The measures for 2023 are restated to align with comparable reporting measures for 2024.

(Unaudited)

	As at 31 December 2024	As at 31 December 2023
	(£ million)	(£ million) Restated
EV Sensitivity to +2% shift (including rate floors)	14.2	48.8
EV Sensitivity to -2% shift (including rate floors)	12.1	(5.4)

During 2024, the IRRB metrics have remained within OakNorth's risk appetite.

Liquidity & Foreign exchange (FX) risk

Liquidity risk is the risk that OakNorth will be unable to meet its contractual financial obligations as they fall due, and funding risk is the risk that OakNorth will be unable to fund future lending growth opportunities or will be able to do so only at significantly higher funding costs. 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 2024, 91% of our deposit balances continued to be protected under the Financial Services Compensation Scheme (FSCS). OakNorth does not currently have direct USD funding sources, such as USD deposits in the US and therefore, currently uses cross currency interest rate swaps ("CCIRS") to fund the US loan book from UK sterling deposits. Use of CCIRS as a single source of funding and the limited number of OakNorth derivative counterparts introduces additional potential concentration risk.

We adopt a prudent approach to liquidity management, ensuring the maintenance of sufficient high-quality liquid assets and liquidity buffers to meet both financial and regulatory commitments over an extended period. This aligns with the Board's risk appetite and the PRA's ILAA requirements, both of which are detailed in the Bank's Internal Liquidity Adequacy Assessment Process (ILAAP) document.

Key risk metrics used to monitor and measure liquidity risk include the LCR, NSFR and levels of High-Quality Liquid Assets (HQLA) under stress scenarios, among others. Risk appetite limits are established for each metric, incorporating 'business as usual' thresholds, early warning indicators, and internal limits.

Stress testing forms a critical component of OakNorth's liquidity risk management and governance framework. As part of the ILAAP process, liquidity stress testing evaluates potential outflows and the adequacy of liquidity resources under 'severe but plausible' stress scenarios, incorporating both idiosyncratic risks and macroeconomic factors. The ALCO and Board review, challenge, and approve the stress scenarios and their outcomes, ensuring OakNorth's ability to maintain sufficient liquidity under such conditions while validating the appropriateness of liquidity risk appetite limits.

(Audited, except for regulatory ratios)

OakNorth's USD-denominated balances as of 31 December 2024 primarily comprised £327.2 million in drawn loans (comprising of exposures in both US and UK), £124.0 million in money market funds, £5.2 million in cash held at other banks (2023: £145.5 million in drawn loans, £31.8 million in money market funds, and £0.8 million in cash held at other banks) and borrowings & deposits of £13.7 million (2023: £14.6 million). As of the same date, the Bank had £448.3 million (notional value) of Cross-Currency Interest Rate Swaps (CCIRS) outstanding (2023: £161.7 million) and FX forwards of £12.0 million (2023: Nil).

As of 31 December 2024, the Bank's net USD exposure, after accounting for CCIRS and FX forwards, was £2.5 million ($3.2 million). This exposure is not considered material, and therefore, the sensitivity to FX rate fluctuations remains minimal.

OakNorth held unencumbered high-quality liquid assets as of 31 December 2024, including £2,689.0 million in the Bank of England reserve account (2023: £1,637.3 million). Throughout 2024, OakNorth fully complied with all regulatory liquidity requirements, maintaining a surplus over the minimum thresholds. The Bank's average LCR during the year was 489% (2023: 365%), while the NSFR was 190% (2023: 161%).

There were no material changes to the liquidity risk management policy or strategy compared to the previous year, and all liquidity metrics remained within OakNorth's established risk appetite limits.

Operational Risk

OakNorth has an established Operational Risk Policy supported by a robust framework of risk mitigation processes. The first line of defence is responsible for assessing and mitigating operational risks within their areas through clearly defined and continuously updated Standard Operating Procedures (SOPs). The control framework is developed, monitored, and reviewed via the Risk and Controls Self-Assessment (RCSA) process, which is also subject to continuous refinement.

The Second-line and third-line functions conduct thematic reviews and monitoring to provide independent challenge and assurance. Risk limits, thresholds, and early warning indicators are established, and key processes undergo effectiveness reviews through first-line and second-line assurance testing, guided by a risk-based approach. Key management information (MI) on process effectiveness, incidents, near misses, and root cause analysis is reported monthly to senior management. Oversight of this risk area is provided by the Operational Committee (OpCo), the Executive Risk Committee (ERC), and the Board Risk & Compliance Committee (BRCC).

We maintain a comprehensive Business Continuity and Crisis Management Plan (BCP), designed to establish prevention and recovery systems to address potential threats. An annual Business Impact Analysis (BIA) is conducted to quantify operational and financial impacts from potential crisis events. The BIA identifies critical dependencies, including partners, applications, infrastructure, personnel, and business processes, while setting Recovery Time Objectives (RTOs) and Recovery Point Objectives (RPOs) and linking them to contingency planning and backup arrangements.

Our ongoing Operational Resilience programme emphasises continuous improvement by identifying and addressing vulnerabilities through periodic testing. In alignment with PRA and FCA guidelines, the Bank has defined its important business services and set impact tolerances, all of which were successfully met during the year. These services are mapped comprehensively, with planned controls and contingencies in place. Regular testing, including individual component tests and more complex multi-component drills, ensures vulnerabilities are identified and addressed, enhancing the Bank's overall resilience.

Conduct, compliance, and financial crime

OakNorth is firmly committed to adhering to all applicable regulatory rules, guidance, and expectations, with a particular focus on Conduct, Compliance, and Financial Crime. The Bank prioritises delivering positive customer outcomes and maintaining the integrity of the markets in which it operates, aligning its practices with these objectives. OakNorth has zero tolerance for any breach of law, regulation, code, or standard of conduct and compliance.

Reputational risk, defined as the potential for damage to the Bank's brand or market standing due to adverse or negative opinions, is also carefully managed. This includes meeting the expectations of a diverse range of stakeholders, such as customers, investors, employees, suppliers, government agencies, regulators, and group companies.

To support these efforts, the Bank has established an independent and specialised Financial Crime and Compliance function. This function provides expert advice, guidance, and assurance through a structured and risk-based Risk and Compliance Assurance Plan. In addition to monitoring, the team delivers training, supports new business initiatives, oversees policy implementation, and engages in other risk management activities to ensure full compliance with legal and regulatory requirements. Adequate controls are embedded within first-line operations to maintain a strong compliance framework.

Tailored management information on compliance-related themes is reported monthly to senior management, ensuring continuous oversight and informed decision-making. These activities are subject to governance and oversight by the Executive Risk Committee (ERC) and the Board Risk & Compliance Committee (BRCC), ensuring accountability and effective risk management.

Climate Risk

Climate risk represents the potential impact of climate change on our business and operating model, either through financial or strategic risks arising from the transition to a low-carbon economy or directly through exposure to the physical effects of climate change. It also includes risks associated with not capitalising on emerging market opportunities related to climate change.

The banking industry faces broad exposure to climate-related risks, both directly and indirectly. At OakNorth, we are actively enhancing our risk management framework to align with industry best practices, ensuring that climate risk is integrated across all relevant areas. This effort focuses on key domains such as Credit Risk, Operational Risk, and Strategic Risk.

Comprehensive details of our climate risk management programs and initiatives can be found in the "Environment & Social Review" on page 25 onwards, while insights into the impact assessment of our loan book are discussed in "OakNorth's Approach to Credit Risk Management" on page 57.

Cyber Risk

At OakNorth, safeguarding information and systems against increasingly sophisticated cyber threats is a critical priority. Our comprehensive and proactive cyber risk management programme enables us to mitigate emerging risks effectively, ensuring the resilience of our operations and the protection of our customers.

We leverage advanced cloud services and cybersecurity solutions to sustain a robust and secure IT infrastructure. Our 'Defence in Depth' strategy incorporates multiple layers of protection, including firewalls, VPNs, encryption, and advanced monitoring tools. This is complemented by our in-house 24/7 Security Operations Centre (SOC), which provides continuous monitoring and response to potential threats, and regular independent penetration testing to validate the effectiveness of our security framework.

To maintain alignment with industry best practices, we adhere to the NIST Risk Management Framework (RMF) and conduct regular cybersecurity maturity assessments. These assessments are benchmarked against the Bank of England's Cyber Resilience Questionnaire (CQUEST), developed in collaboration with the PRA and FCA, as well as the NIST framework. This commitment to rigorous evaluation and continuous improvement underscores our dedication to staying ahead of evolving cyber risks.

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

Lord Adair Turner
CHAIRMAN

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,
CHAIR OF BOARD REMUNERATION COMMITTEE,
CHAIR OF BOARD NOMINATION COMMITTEE

APPOINTED: MAY 2017

Timo Boldt
NON-EXECUTIVE DIRECTOR

APPOINTED: AUG 2022

Nilan Hilarion Peiris
NON-EXECUTIVE DIRECTOR

APPOINTED: SEPT 2024

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 2024.

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 consolidated statements of profit & loss, comprehensive income and balance sheet can be found on pages 86-91. Analysis of business performance and metrics are detailed on pages 16-17.

Going concern

The Directors are satisfied that the Bank and its subsidiary have the resources to continue in business for the foreseeable future, considering at least 12 months from the date of this report, 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 deliver strong profitability, supported by steady income growth and loan book growth across different sectors and geographies. This performance is underpinned by effective risk management, operating leverage, and the successful implementation of the Bank's strategic priorities. Key profitability and risk metrics and indicators as detailed in the Strategic Report remain robust, demonstrating the resilience of the Bank's operations.
- OakNorth continues to maintain surplus over the minimum regulatory capital and liquidity requirements including post consideration of any proposed dividend payments. 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 stress tests considered the adequacy of capital and liquidity resources available under 'severe but plausible' potential stress scenarios, which are based on the both the key risks in the business (idiosyncratic risks) and the macro environment.
- The ECL assessment based on OakNorth's internally developed PD and LGD models for Stage 1 and Stage 2 loans, consideration of macroeconomic scenarios and scenario weightings, and, specific assessments for loans in Stage 3, 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, A.S.K Partners Limited 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.

Corporate governance

OakNorth is not required to comply with the UK Corporate Governance Code. It, however, voluntarily applies and reports on certain aspects of the Code, consistent with the level of complexity and scale of the business.

The list of OakNorth's Executive and Non-Executive directors is provided on pages 73-74. The "Governance" section of the Annual Report and Financial Statements provides a comprehensive overview of the governance structure, delineating the roles and responsibilities of the Board and its Committees and the frequency of meetings. Additionally, the "Risk Management Framework and Risk Review" section elaborates on the Bank's risk management strategies across various risk domains. The "Section 172 Statement" offers insights into the Board's engagement and the integration of stakeholder interests into its decision-making processes.

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 page 52 onwards. The accounting policies in relation to derivatives held for risk management are detailed on pages 102-104 and disclosures in relation to the derivatives are provided on pages 116-120.

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 pages 21-23.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosures are provided in the "Environment & social review" on pages 25-41.

Dividends

The Directors approved special dividends of £20 million during the year to the ordinary shareholders of the Bank.

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

The Directors approved a £40 million dividend payment to the Bank's ordinary shareholders on 27 February 2025. The decision was made after evaluating the Bank's business plan, capital forecasts, and capital buffers under various sensitivity scenarios.

Strategic Report review

This 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. There are no proposed changes to the appointment.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Statement of Directors' responsibilities in respect of the financial statements 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.

Approved by the Board on 27 February 2025 and signed on its behalf by:

Rishi Khosla
CO-FOUNDER
& CHIEF EXECUTIVE OFFICER
28 February 2025

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 2024 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 2024; 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, comprising material accounting policy information and other explanatory information.

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 6, 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 company)

Materiality

- Overall group materiality: £10.4m (2023: £9.4m) based on 5% of profit before tax.
- Overall company materiality: £9.9m (2023: £8.9m) based on 5% of profit before tax.
- Performance materiality: £7.8m (2023: £7.0m) (group) and £7.4m (2023: £6.7m) (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
Impairment of loans and advances to customers (group and company) 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'.	With the support of our credit risk modelling specialists, we performed the following procedures: *Judgement applied in the selection of the forward-looking economic scenarios and probability weightings assigned to the different scenarios*

Key audit matter	How our audit addressed the key audit matter
During the year, management developed new internal Probability of Default ('PD') and Loss Given Default ('LGD') models for the stage 1 and 2 trading portfolio, while continuing to use their internally developed PD and LGD models for the stage 1 and 2 property 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 are continued to be used by management for their stage 3 portfolio. We consider the following elements of the determination of ECL for loans and advances to customers to be significant: • Macroeconomic scenarios ('MES') and associated weightings - Judgements being applied in the selection of the forward-looking economic scenarios and probability weightings assigned to the different scenarios due to the sensitivity of the ECL output to the above assumptions; • Probability of Default ('PD') assumptions - Due to the lack of central default tendency ('CDT') data, there is higher level of judgement and assumptions involved in determining the PDs which adds to the complexity of the new PD models built; and • Loss Given Default ('LGD') assumptions for Stage 3 (Property loans) - The underlying collateral valuation is the most critical data element for individually assessed Stage 3 loans. We consider the significant risk to relate to the judgement applied to alternative possible scenarios and probability weightings assigned to the collateral values, given these are highly judgemental areas. Management's associated accounting policies, judgements in the application of accounting policy, and critical estimates are disclosed in Note 1.	We used our economic analysis tool developed by our economic and modelling experts and utilising data from the Bank of England, HM Treasury and Consensus Economics. This tool assessed the reasonableness of management's forward looking economic assumptions and associated weightings, giving specific consideration to the current economic environment. 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 risk. We evaluated whether the scenario weights appropriately captured the economic uncertainty created by the economic risks, housing pricing index and interest rates, and the weak growth of the UK economy. *Judgement and assumptions applied in determining the PDs* We understood and critically assessed the end-to-end process for determining PDs, thereby establishing that the CDT parameter is the key anchor point for the modelled estimates of PD. We applied sensitivity analysis to understand the materiality of the judgement involved in setting the assumption for CDT. We assessed the value of the CDT for property and trading portfolios in the context of limited internal default data, and alongside other data sources considered by management, including the parallel run of Moody's models and peer benchmarking. We further assessed the ECL, and hence implicitly the PDs, resulting from the end-to-end process via standback procedures including peer benchmarking, trend analysis and analysis of change from prior year. *Judgement applied to alternative possible scenarios and probability weightings assigned to the collateral values* For a sample of individually assessed stage 3 credit impaired loans, we evaluated the specific circumstances of the borrower, including the latest developments, valuation reports, 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, A.S.K. Partners Limited and ONB Lendco 1 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 significant due to its risk and size in the context of the group's consolidated financial statements and hence a full scope audit component.

We considered the individual financial significance of A.S.K. Partners Limited and ONB Lendco 1 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). A.S.K. Partners Limited was identified as a non-significant component, while ONB Lendco 1 Limited has been classified as being inconsequential to the Group.

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	£10.4m (2023: £9.4m).	£9.9m (2023: £8.9m).
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 £9.9m.

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% (2023: 75%) of overall materiality, amounting to £7.8m (2023: £7.0m) for the group financial statements and £7.4m (2023: £6.7m) 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 £500,000 (group audit) (2023: £468,000) and £495,000 (company audit) (2023: £445,000) 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 the 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 2024 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 ('FCA') and Prudential Regulation Authority ('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 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to 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 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 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 7 years, covering the years ended 31 December 2018 to 31 December 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Daniel Pearce (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 February 2025

CONSOLIDATED STATEMENT OF PROFIT & LOSS

FOR THE YEAR ENDED 31 DECEMBER 2024

OakNorth Bank Plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.

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

	Note	Bank group	
		2024 (£'000)	2023 (£'000)
Interest income	2	568,925	438,860
Interest expense	2	(285,202)	(169,664)
Net interest income	**2**	**283,723**	**269,196**
Fee and commission income	3	29,027	27,410
Net (expense) / income from other financial instruments at FVPL	4	(791)	173
Loss on derecognition of financial instruments at amortised cost	5	(2,108)	-
Net income		**309,851**	**296,779**
Administrative expenses	6	(93,307)	(80,914)
Depreciation and amortisation	20,21,22	(2,659)	(2,490)
Reversal/ (charge) for provision for credit impairment losses	11	4,427	(25,113)
Charge for provision for other assets	11	(3,518)	(929)
Operating expenses and provisions		**(95,057)**	**(109,446)**
Profit from ordinary activities before tax		**214,794**	**187,333**
Taxation	12	(55,460)	(48,863)
Profit after tax from ordinary activities		**159,334**	**138,470**
Profit attributable to:			
Holders of ordinary shares of the Bank		157,823	136,357
Non-Controlling Interest	32	1,511	2,113
Profit after tax from ordinary activities		**159,334**	**138,470**

Note: The profit for the year derives wholly from continuing operations. OakNorth Bank Plc (standalone) profit after tax for the year was £156.3 million (2023: £134.2 million). The notes on pages 97-133 form a part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

OakNorth Bank Plc (registered number: 08595042)
"Bank Group" refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.
"Bank" refers to standalone financial statements of OakNorth Bank Plc

	Note	Bank group	
		2024 (£'000)	2023 (£'000)
Profit after tax from ordinary activities		**159,334**	**138,470**
Other Comprehensive (expense) / income			
Items that may be reclassified to profit and loss:			
Fair value changes on financial assets at FVOCI (net of tax)		(48)	32
Changes in cash flow hedge reserve (net of tax)	18	(5,046)	2,261
Changes in cost of hedging reserve (net of tax)	18	56	(56)
Total other comprehensive (expense) / income for the year		**(5,038)**	**2,237**
Total comprehensive income for the year		**154,296**	**140,707**
Total comprehensive income attributable to:			
Holders of ordinary shares of the Bank		152,785	138,594
Non-Controlling Interest	32	1,511	2,113
Total comprehensive income for the year		**154,296**	**140,707**

The notes on pages 97-133 form a part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2024

OakNorth Bank Plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.

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

		Bank group	
		2024 (£'000)	2023 (£'000)
Assets			
Cash and balances at central bank	14	2,689,013	1,637,314
Loans and advances to banks	15	80,632	38,474
Investment securities	16	331,238	237,660
Loans and advances to customers	17	4,393,100	3,817,344
Derivative assets held for risk management	18	2,809	5,765
Other assets	19	47,056	51,992
Current tax assets	12	4,886	2,136
Tangible fixed assets	20	79	51
Right of use ("ROU") assets	21	2,323	2,258
Deferred tax assets (net)	12	1,409	367
Intangible assets	22	8,967	5,639
Goodwill	23	11,647	11,647
Total assets		**7,573,159**	**5,810,647**
Liabilities			
Customer deposits	24	6,103,046	4,639,352
Borrowings under BoE Term funding scheme	25	202,445	202,647
Derivative liabilities held for risk management	18	14,411	-
Trade and other payables	26	22,935	19,780
Intercompany borrowings	27	8,345	11,953
Current tax liabilities	12	58	-
Provisions and other liabilities	28	21,389	21,644
Tier 2 subordinated debt	29	180,949	30,141
Total liabilities		**6,553,578**	**4,925,517**

CONSOLIDATED BALANCE SHEET (CONT.)

AS AT 31 DECEMBER 2024

		Bank group	
		2024 (£'000)	2023 (£'000)
Capital and reserves			
Called up share capital	30	389,320	389,320
Share-based payments		176	149
Retained earnings	31	625,420	487,565
Other comprehensive income relating to financial assets at FVOCI		8	56
Cash flow hedge reserve	18	(2,785)	2,261
Cost of hedging reserve	18	-	(56)
Non-controlling interests	32	7,442	5,835
Total equity		**1,019,581**	**885,130**
Total liabilities and equity		**7,573,159**	**5,810,647**

The notes on pages 97-133 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 27 February 2025. 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 2024

OakNorth Bank Plc (registered number: 08595042)
"Bank Group" refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.
"Bank" refers to standalone financial statements of OakNorth Bank Plc

		Bank	
		2024 (£'000)	2023 (£'000)
Assets			
Cash and balances at central bank	14	2,689,013	1,637,314
Loans and advances to banks	15	75,477	33,458
Investment securities	16	331,238	237,660
Loans and advances to customers	17	4,390,340	3,816,140
Derivatives assets held for risk management	18	2,809	5,765
Other assets	19	37,982	44,918
Current tax assets	12	4,886	2,066
Tangible fixed assets	20	40	-
Right of use ("ROU") assets	21	2,323	2,258
Deferred tax assets (net)	12	1,409	367
Intangible assets	22	8,967	5,639
Investment in subsidiary		14,250	14,250
Total assets		**7,558,734**	**5,799,835**
Liabilities			
Customer deposits	24	6,103,046	4,639,352
Borrowings under BoE Term funding scheme	25	202,445	202,647
Derivatives liabilities held for risk management	18	14,411	-
Trade and other payables	26	20,815	18,095
Intercompany borrowings	27	8,345	11,953
Provisions and other liabilities	28	21,389	21,608
Tier 2 subordinated debt	29	180,949	30,141
Total liabilities		**6,551,400**	**4,923,796**
Capital and reserves			
Called up share capital	30	389,320	389,320

COMPANY BALANCE SHEET (CONT.)

AS AT 31 DECEMBER 2024

		Bank	
		2024 (£'000)	2023 (£'000)
Share-based payments		176	149
Retained earnings	31	620,615	484,309
Other comprehensive income relating to financial assets at FVOCI		8	56
Cash flow hedge reserve	18	(2,785)	2,261
Cost of hedging reserve	18	-	(56)
Total equity		**1,007,334**	**876,039**
Total liabilities and equity		**7,558,734**	**5,799,835**

The notes on pages 97-133 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 27 February 2025. 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 2024

OakNorth Bank Plc (registered number: 08595042)

“Bank Group” refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.

“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 2023		**389,320**	**351,208**	**24**	**-**	**-**	**111**	**3,722**	**744,385**
Profit for the year	31	-	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**
As at 1 January 2024		**389,320**	**487,565**	**56**	**2,261**	**(56)**	**149**	**5,835**	**885,130**
Profit for the year	31	-	157,823	-	-	-	-	1,511	159,334
Other comprehensive (expense)/income for the year		-	-	(48)	(5,046)	56	-	-	(5,038)
Employee share-based payments		-	-	-	-	-	27	-	27
Issue of growth shares		-	-	-	-	-	-	64	64
Payment of dividend to parent	31	-	(20,000)	-	-	-	-	-	(20,000)
Unwinding of investments in A.S.K Group entities	31	-	32	-	-	-	-	32	64
As at 31 December 2024		**389,320**	**625,420**	**8**	**(2,785)**	**-**	**176**	**7,442**	**1,019,581**

The notes on pages 97-133 form a part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

"Bank Group" refers to the consolidated financial statements of OakNorth Bank Plc and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.
"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 2023		**389,320**	**350,074**	**24**	**-**	**-**	**111**	**739,529**
Profit for the year	31	-	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**
As at 1 January 2024		**389,320**	**484,309**	**56**	**2,261**	**(56)**	**149**	**876,039**
Profit for the year	31	-	156,306	-	-	-	-	156,306
Other comprehensive (expense) / income for the year		-	-	(48)	(5,046)	56	-	(5,038)
Employee share-based payments		-	-	-	-	-	27	27
Payment of dividend to parent	31	-	(20,000)	-	-	-	-	(20,000)
As at 31 December 2024		**389,320**	**620,615**	**8**	**(2,785)**	**-**	**176**	**1,007,334**

The notes on pages 97-133 form a part of these financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2024

OakNorth Bank Plc (registered number: 08595042)

"Bank Group" refers to the consolidated financial statements of OakNorth Bank and its subsidiaries A.S.K Partners Limited & ONB Lendco 1 Limited.

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

		Bank Group		Bank	
	Note	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Profit from ordinary activities before tax		**214,794**	**187,333**	**210,737**	**181,707**
Adjustments for					
Changes to non-cash items					
Depreciation and amortisation	20,21,22	2,659	1,895	2,628	1,869
Write-off of tangible and intangible assets	20,22	-	595	-	595
Net expense/ (income) from other financial instruments at FVPL	4	638	(173)	638	(173)
Provision for impairment losses	11	(4,427)	25,113	(4,427)	25,113
Loss on derecognition of financial instruments at amortised cost	5	2,108	-	2,108	-
Provision for other assets	11	3,518	929	-	-
Share-based payment to employees		27	38	27	38
Interest expense on lease liability	21	556	440	556	440
Interest income on investment securities (excluding US money market funds)	2	(12,101)	(10,202)	(12,101)	(10,202)
Interest expense on TFSME borrowing	2	10,244	9,359	10,244	9,359
Interest expense on subordinated debt	2	7,370	2,459	7,370	2,459
Interest expense on intercompany borrowings	2	547	293	547	293
Changes to operating assets & liabilities					
Net change in other assets/liabilities	38	4,665	(30,857)	9,656	(27,948)
Increase in loan receivables		(573,437)	(714,507)	(571,881)	(713,760)
Decrease/ (increase) in derivative assets & liabilities held for risk management		7,655	(2,530)	7,655	(2,530)
Increase in customer deposits		1,463,663	1,026,092	1,463,663	1,026,092
Income taxes paid		(57,333)	(52,840)	(56,432)	(50,329)
Net cash flows generated from operating activities		**1,071,146**	**443,437**	**1,070,988**	**443,023**
Purchase of intangible assets	22	(5,279)	(2,961)	(5,279)	(2,961)
Purchase of tangible assets	20	(75)	(18)	(56)	-

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT (CONT.)

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	Bank Group		Bank	
		2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Purchase of investment securities (excluding US money market funds)		(820,024)	(897,488)	(820,024)	(897,488)
Proceeds from maturity of Investment securities (excluding US money market funds)		830,700	905,244	830,700	905,244
Interest received on investment securities (excluding US money market funds)		-	623	-	623
Net cash flows generated from investing activities		**5,322**	**5,400**	**5,341**	**5,418**
Increase in subordinated debt		150,000	30,000	150,000	30,000
Increase in intercompany borrowings		6,326	11,660	6,326	11,660
Decrease in intercompany borrowings		(9,772)	-	(9,772)	-
Repayment of subordinated debt		-	(50,000)	-	(50,000)
Interest paid on TFSME borrowings		(10,445)	(8,135)	(10,445)	(8,135)
Interest paid on subordinated debt		(4,387)	(1,938)	(4,387)	(1,938)
Interest paid on intercompany borrowings		(706)	-	(706)	-
Cash outflow on lease liability (principal payment)	21	(852)	(246)	(852)	(246)
Cash outflow on lease liability (interest payment)	21	(556)	(440)	(556)	(440)
Payment of dividend to Parent	31	(20,000)	-	(20,000)	-
Net cash flows generated from/(used in) financing activities		**109,608**	**(19,099)**	**109,608**	**(19,099)**
Net increase in cash and cash equivalents		**1,186,076**	**429,738**	**1,185,937**	**429,342**
Cash and cash equivalents at beginning of year		1,707,576	1,277,838	1,702,560	1,273,218
Cash and cash equivalents at end of year		**2,893,652**	**1,707,576**	**2,888,497**	**1,702,560**
Reconciliation of cash and cash equivalents					
Cash and balances at central bank	14	2,689,013	1,637,314	2,689,013	1,637,314
Loans and advances to banks	15	80,632	38,474	75,477	33,458
Investment securities (US money market funds)	16	124,007	31,788	124,007	31,788
Total		**2,893,652**	**1,707,576**	**2,888,497**	**1,702,560**

Note: OakNorth Bank and Bank Group has exposure mainly in GBP and USD. US dollar exposure is primarily swapped by cross currency interest rate derivatives and impact of foreign exchange movement is not material and hence not disclosed separately as part of the Cash flow statement.

The notes on pages 97-133 form a part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. Material 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 39).

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 and derivative assets & liabilities) 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 pound sterling (GBP) as that is the currency of the primary economic environment in which the OakNorth Bank Group operates. The financial statements are presented in GBP and rounded to thousands.

1.3 Statutory audit status of subsidiary

For the financial year ended 31 December 2024, OakNorth Bank's subsidiary, A.S.K Partners Limited is subject to statutory audit.

1.4 Foreign currency

The financial statements are presented in GBP, 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, considering at least 12 months from the date of this report. 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 OakNorth's PD framework, supplemented with the granular sub-sector level downside scenarios applied on the whole loan book using OakNorth's proprietary FLR framework;

- 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. The Board regularly monitors performance vs the plan to ensure that the business model assumptions are operating as expected and there are no material changes to the business operating environment that may materially impact the Bank's growth and performance;
- the risk appetite limits. The Board reviewed 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.
- 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, A.S.K Partners has adequate cash to fund its business operations. The subsidiary is subject to regulatory consolidation with the Bank for period commencing June 2024, however there is no material impact to the overall consolidated capital or 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 2024

On 1 January 2024, several amendments to existing accounting standards came into effect. Detailed below is the list of amendments and impact on OakNorth Bank:

- Lease liability in a Sale-and-Leaseback transactions (Amendments to IFRS16, Leases)- no impact
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)- The new amendment did not result in a change in the classification of borrowings. No retrospective adjustments as a result of adopting the amendments to IAS 1.
- Supplier Finance Arrangements (Amendment to IAS 7, Statement of Cash Flows and IFRS 7, Financial Instruments: Disclosures)- no impact

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 from 1 January 2024 reporting period and have not been early adopted. These include: -

- Lack of exchangeability (Amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates)- effective for annual reporting periods beginning on or after 1 January 2025
- Classification and measurement of financial instruments (Amendment to IFRS 9 and IFRS 7)- settling financial liabilities using electronic payment systems and assessing contractual cash flows characteristics of financial assets, including those with sustainability-linked features. The requirements will be effective for annual reporting periods beginning on or after 1 January 2026.
- IFRS 18 Presentation and disclosure in Financial Statements- IFRS 18 to replace IAS 1 (Presentation of Financial Statements) and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements:
  - Entities are required to classify all income and expenses into five categories in the statement of profit & loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
  - Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
  - Enhanced guidance is provided on how to group information in the financial statements.

The Group is in the process of assessing the impact of these standards, amendments or interpretations.

1.7 Basis of Consolidation

The "Bank Group" financial statements presented herein comprise the financial statements of OakNorth Bank and its subsidiary A.S.K Partners Limited as at 31 December 2024.

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, except for the following, which are recognised in the profit & loss in the same manner as for financial assets: a) Interest revenue calculated using EIR method; b) ECL and reversals; and c) foreign exchange gains and losses. When debt security measured at FVOCI Is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit & loss.

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 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.

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 56-67.

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 56-67.

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 of 31 December 2024 (2023: 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 for risk management purposes. All derivatives are measured at fair value (Level 2) in the statement of financial position.

Where possible, the Bank designates derivatives held for risk management as hedging instruments 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 for undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. Below is a summary of current hedging strategies and risk management objectives of the Bank:

Strategy	Hedged risk and underlying hedged items	Objective of strategy
Macro cash flow hedges	Interest rate risk on floating rate assets	Macro 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 macro 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 official BoE base rate. The variability in cash flows due to movements in BoE base rate is hedged. Each interest rate swap is designated in a cash flow hedge with an amount of variable rate interest rate cash flows. 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.
Micro fair value hedge	Interest rate risk on fixed rate borrowings	The Bank uses interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate borrowings due to changes in benchmark interest rates. The Bank designates the benchmark interest rate component of the fixed interest rate on these borrowings and uses pay floating and receive fixed interest rate swaps to convert fixed cash flows to variable.

Strategy	Hedged risk and underlying hedged items	Objective of strategy
		Each interest rate swap is designated in a fair value hedge relationship with a single fixed rate borrowing. The Bank determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of hedged item and hedging instruments. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align and whether the fair value of the hedged item and the hedging instrument are expected to move in opposite directions with changes in market interest rates. 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.
Micro fair value hedge	Interest rate risk on fixed rate deposits	The Bank uses interest rate swaps to hedge its exposure to changes in the fair value of its fixed rate deposits due to changes in benchmark interest rates. The Bank designates the entire fixed interest rate on these deposits and uses pay floating and receive fixed interest rate swaps to convert fixed cash flows to variable. Each interest rate swap is designated in a fair value hedge relationship with a group of fixed rate deposits. The Bank determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of hedged item and hedging instruments. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align and whether the fair value of the hedged item and the hedging instrument are expected to move in opposite directions with changes in market interest rates. 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.
Macro Cash Flow Hedges	Foreign exchange risk on USD denominated interest income	The Bank uses FX forwards to hedge its exposure to variability in the GBP value of its USD denominated interest income cash flows due to changes in foreign exchange rates. The Bank designates the forward foreign exchange risk and uses FX forwards to sell USD for GBP at an agreed rate in the future. Each FX forward is designated in a cash flow hedge relationship with an amount of USD denominated interest income cash flows. The Bank determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of hedged item and hedging instrument. The Bank considers whether the critical terms of the hedged item and hedging instrument closely align and whether the fair value of the hedged item and the hedging instrument are expected to move in opposite directions with changes in market FX rates. 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.

In 2024, the Bank de-designated Cross-Currency Interest Rate Swaps (CCIRS) from fair value hedge accounting as they no longer met the technical criteria for hedge accounting. This change affects only the accounting treatment and does not impact the underlying economic risk management strategy. The Bank continues to use CCIRS to hedge FX risk on its USD balance sheet, which includes cash held at other banks, short-term money market funds, and loans and advances to customers.

The main sources of hedge ineffectiveness for interest rate risk hedges are:

- **Interest rate basis (cash flow hedges only):** The floating interest benchmark rate on the hedging instrument is SONIA while that of the hedge item is BoE base rate.
- **Embedded interest rate floor (cash flow hedges only):** Some floating rate assets include embedded floors that are not present in the hedging instruments. If interest rates were to go below the floor rate, it may cause some hedge ineffectiveness.
- **Amount and timing of cash flows:** There are differences in the amount and timing of cash flows between the hedged item and hedging instrument due to differences in interest rates and maturity dates.

The main sources of hedge ineffectiveness for foreign exchange risk are:

- **Amount and timing of cash flows:** If USD interest income hedged is no longer highly probable or is now expected to be recognised in a different month.
- **Cross currency basis:** Impacts changes in fair value of the FX forwards, but not the hedged item.

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 A.S.K Partners Limited, 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 A.S.K Partners Limited which acts as a loan originator and servicer, revenue from fees is recognised 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 are- determination of the criteria for 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.

Areas of accounting estimates in measurement of ECL: These are - Forward looking macroeconomic scenarios weightings and PD/LGD estimates.

Please see section "Credit Risk" pages 56-67 for further details on the above.

2. Net interest income

	2024 (£'000)	2023 (£'000)
Interest income		
Cash and balances at Central bank and other banks	112,915	66,235
Loans and advances to customers	438,467	361,661
Investment securities at FVOCI[1]	17,543	10,964
Total interest income calculated using the effective interest method	**568,925**	**438,860**
Interest expense		
Customer deposits	263,766	157,304
Borrowings under BoE Term funding scheme	10,244	9,359
Tier 2 subordinated debt	7,370	2,459
Intercompany borrowings	547	293
Derivatives held for risk management	3,275	249
Total interest expense	**285,202**	**169,664**
Net interest income	**283,723**	**269,196**

[1] Includes interest income of £12.1 million on investment securities (excluding US money market funds) for 2024 (2023: £10.2 million)

Interest Income on Investment securities at FVOCI includes £0.2 million amortisation of premium/ discount for 2024 (2023: (£1.9) million). Interest expense on Tier 2 subordinated debt includes £0.1 million amortisation of discount and issue expenses for 2024 (2023: £0.7 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.

	2024 (£'000)	2023 (£'000)
Financial assets measured at amortised cost	7,162,745	5,493,132
Financial assets measured at FVOCI	331,238	237,660
Total	**7,493,983**	**5,730,792**
Financial liabilities measured at amortised cost	6,494,785	4,884,093

3. Fee and commission income

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 (expense)/ income from other financial instruments at FVPL

	2024 (£'000)	2023 (£'000)
Net (expense) / income from other financial instruments at FVPL		
Ineffective portion of derivatives held for risk management		
Interest rate swaps	32	(3)
Cross currency interest rate swaps	(672)	176
FX Forwards	2	-
Unwinding of Interest rate swap	(153)	-
Total	**(791)**	**173**

5. Loss on derecognition of financial instruments at amortised cost

During the year, the Bank recognised a fair value adjustment on restructuring of a financial asset held at amortised cost to reflect a lower interest rate compared to similar instruments. In accordance with IFRS9, the fair value assessed on the recognition of the new financial asset resulted in an adjustment of £2.1 million recorded in statement of profit or loss.

6. Administrative expenses

	2024 (£'000)	2023 (£'000)
Staff cost (refer note 7)	47,947	39,858
Professional, legal and consultancy	28,680	27,045
Technology cost	7,408	6,383
Office and premises cost	3,249	2,657
Levies (see note 10)	886	312
Foreign exchange loss	88	198
Other expenses	5,049	4,461
Total	**93,307**	**80,914**

Professional, legal and consultancy cost includes cost recharges from group entities. Please see note 34.

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

	2024 (£'000)	2023 (£'000)
Fees payable to Bank's auditors for the audit of consolidated financial statements	666[1]	565
Total audit fees	**666**	**565**
Audit of the financial statements of the Company's subsidiary	224[2]	175
Fees payable to Bank's auditors for Client Assets Sourcebook (CASS) audit	13	12
Fees payable to Bank's auditors for Tier-2 comfort letter	122	70
Fees payable to Bank's auditors for Interim profit verification	37	70
Total assurance related fees	**396**	**327**
Total fees to auditors	**1,062**	**892**

[1] Includes £24K fees in relation to 2023 audit

[2] Includes £25K in relation to 2023 audit

7. Staff numbers and costs

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

	2024	2023
Average number of employees	278	228

Their aggregate remuneration comprised:

	2024 (£'000)	2023 (£'000)
Wages and salaries	39,994	33,713
Social security & pension costs	7,133	5,611
Share-based payment	26	38
Other costs & statutory levies	794	496
Total	**47,947**	**39,858**

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 £1,102K (2023: £582K) of contributions respectively towards a pension scheme for employees.

8. Share-based payments

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.

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

During the year, the company has revised the strike price for all grants (ESS and ESOPs).

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

	2024		2023	
	ESS (Nos in 000s)	ESOP (Nos in 000s)	ESS (Nos in 000s)	ESOP (Nos in 000s)
Outstanding at the beginning of the year	**1,817**	**1,533**	**2,407**	**623**
Granted during the year	-	579	-	188
Forfeited during the year	(21)	(189)	(203)	(101)
Transfers from sister companies during the year	50	94	15	823
Buyback during the year	-	-	(402)	-
Outstanding at the end of the year	**1,846**	**2,017**	**1,817**	**1,533**
Vested during the year	139	305	327	274
Exercisable at the end of the year	1,311	687	1,172	382

9. Directors' remuneration and transactions

	2024 (£'000)	2023 (£'000)
Directors' remuneration		
Emoluments[1]	5,671	4,515
Share-based payment	11	1
Other taxable benefits	89	86
Net amount expensed to statement of profit & loss and comprehensive income	**5,771**	**4,602**
Remuneration of highest paid Director:		
Emoluments	2,676	2,338
Other taxable benefits	69	67
Net amount expensed to statement of profit & loss and comprehensive income	**2,745**	**2,405**

[1] £2.3K was paid for one director to whom, retirement benefits are accruing under money purchase pension schemes in respect of qualifying services (2023: £1K)

The remuneration above reflects amounts reported for OakNorth's executive Directors, net of any cost recharges for time spent on other group companies. In 2024, no share-based payments were granted to the Directors (2023: Nil shares), and no shares were forfeited during the year (2023: Nil shares). The expense recognised is allocated over the vesting period (see note 8 for details of the scheme).

Directors' advances, credits, and guarantees: Details of transactions with Directors during the year are disclosed in note 34. There were no loans, credits or guarantees issued to the Directors during the year (2023: Nil).

10. Levies

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 2024). 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".

Bank also pays Economic crime levy (ECL) levied on companies supervised under the Money Laundering Regulation (MLR) which is a fixed fee based on UK revenues.

From 1 March 2024 BoE introduced a new funding levy to replace the cash ratio deposit ('CRD') scheme. The deposits placed by OakNorth with the BoE under the CRD scheme were returned and billing for the BoE levy was introduced.

During 2024, there was a net charge of £886K (2023: £312K) for all applicable levies. This included £547K for the new BoE levy, £36K for Economic Crime Levy and £303K for FSCS levy.

11. Provisions for losses

	2024 (£'000)	2023 (£'000)
Reversal/ (charge) for provision for credit impairment losses		
On loans and advances	(4,427)	25,113
Charge for provision on other assets		
On other receivables	3,518	929
Total	**(909)**	**26,042**

The provision on other assets includes loss provisions recognised against other receivables (trade debtors) in the financial statements of A.S.K Partners Limited.

12. Taxation

	2024 (£'000)	2023 (£'000)
The tax charge comprises of		
Total current and deferred tax	**55,460**	**48,863**
Factors affecting tax charge for the current year		
Profit on ordinary activities before tax	214,794	187,333
Tax at standard UK corporation tax rate of 25% (23.5% for 2023- 19% till March 23 and 25% with effect from 1 April 23)	53,699	44,023
Effects of:		
Expenses not deductible for tax purposes	226	105
Adjustments in respect of prior years	(874)	(247)
R&D credit for 2024	(936)	-
Timing differences at 25% for current tax (2023:23.5%) and 28% for deferred tax (2023: 28%)	(23)	(86)
Bank surcharge tax	3,368	5,068
Total tax charge for the year	**55,460**	**48,863**
Analysis of tax charge on ordinary activities		
UK corporation tax	56,551	49,645
Adjustment in respect of prior years	(2,008)	(557)
Deferred tax (refer movement below)		
Current year – statement of profit & loss and comprehensive income	(194)	(449)
Adjustment in respect of prior years	1,134	310
Effect of rate changes in respect of prior years	(23)	(86)
Total tax charge – Statement of profit & loss and comprehensive income	**55,460**	**48,863**
Total tax credit – Equity	**1,959**	**(870)**

	2024 (£'000)	2023 (£'000)
Balance sheet provision for taxes payable	101,908	85,123
Balance sheet provision for tax recoverable on behalf of group entities	(29,199)	(189)
Advance tax paid	(77,537)	(87,070)
Net tax recoverable	**(4,828)**	**(2,136)**
Net Deferred tax asset	**1,409**	**367**
To be recovered within twelve months	1,494	231
To be recovered after twelve months	(85)	136

2024	Movement during the year			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	329	(59)	-	270	270	-
Investment securities at FVOCI	(22)	-	19	(3)	-	(3)
Unpaid bonus and pension	1,013	(277)	-	736	736	-
Share-based payments	9	7	-	16	16	-
Allowance for expected credit losses	60	(12)	-	48	48	-
Allowance for IFRS transitional adjustment	120	(27)	-	93	93	-
Adjustment for Research & Development Expenditure Credit (RDEC)	(286)	(549)	-	(835)	-	(835)
Cash flow hedge reserve	(878)	-	1,962	1,084	1,084	-
Cost of hedging reserve	22	-	(22)	-	-	-
Deferred tax asset/(liabilities)	**367**	**(917)**	**1,959**	**1,409**	**2,247**	**(838)**
Net deferred tax asset					**1,409**	

2023	Movement during the year			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					**367**	

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. The effective tax rate for the year 31 December 2024 was 26% (2023: 26%). The Bank Group primarily operates in the UK and does not meet the threshold criteria under the Global Minimum Tax Rules (Pillar Two of the OECD's BEPS framework). As a result, these rules have no impact on the Bank Group's tax position as of the reporting date.

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

13. Classification of financial assets and financial liabilities

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

31 December 2024 (£'000)	Bank Group				Bank			
	FVPL	FVOCI	Amortised cost	Total carrying amount	FVPL	FVOCI	Amortised cost	Total carrying amount
Cash & balance at central banks	-	-	2,689,013	2,689,013	-	-	2,689,013	2,689,013
Loans and advances to banks	-	-	80,632	80,632	-	-	75,477	75,477
Loans and advances to customers	-	-	4,393,100	4,393,100	-	-	4,390,340	4,390,340
Investment in subsidiary	-	-	-	-	-	-	14,250	14,250
Investment securities	-	331,238	-	331,238	-	331,238	-	331,238
Derivative assets held for risk management	2,809	-	-	2,809	2,809	-	-	2,809
Other assets	-	-	45,741	45,741	-	-	36,775	36,775
Total financial assets	**2,809**	**331,238**	**7,208,486**	**7,542,533**	**2,809**	**331,238**	**7,205,855**	**7,539,902**
Customer deposits	-	-	6,103,046	6,103,046	-	-	6,103,046	6,103,046
Borrowings under BoE Term funding scheme	-	-	202,445	202,445	-	-	202,445	202,445
Tier 2 subordinated debt	-	-	180,949	180,949	-	-	180,949	180,949
Intercompany borrowings	-	-	8,345	8,345	-	-	8,345	8,345
Derivative liabilities held for risk management	14,411	-	-	14,411	14,411	-	-	14,411
Trade and other payables	-	-	22,935	22,935	-	-	20,815	20,815
Lease liabilities	-	-	4,024	4,024	-	-	4,024	4,024
Total financial liabilities	**14,411**	**-**	**6,521,744**	**6,536,155**	**14,411**	**-**	**6,519,624**	**6,534,035**

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

31 December 2023 (£'000)	Bank Group				Bank			
	FVPL	FVOCI	Amortised cost	Total carrying amount	FVPL	FVOCI	Amortised cost	Total carrying amount
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 and other payables	-	-	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**

14. Cash and balances at central bank

	2024 (£'000)	2023 (£'000)
Cash and balances at central bank	2,689,013	1,637,314
Total	**2,689,013**	**1,637,314**

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.

Cash and balances at central bank includes £4.5 million accrued interest for 2024 (2023: £3.9 million).

15. Loans and advances to banks

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Balances held with other banks	80,632	38,474	75,477	33,458
Total	**80,632**	**38,474**	**75,477**	**33,458**

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.

16. Investment securities

	2024 (£'000)	2023 (£'000)
Analysed by type		
UK Gilts & Treasury bills	207,231	205,872
US Money Market funds	124,007	31,788
Analysed by designation		
Financial instruments at FVOCI	331,238	237,660
Analysed by maturity		
- Within three months	331,238	237,660

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 £8K as at 31 December 2024 (2023: £56K). There was no mark to market on money market fund. None of the debt securities were impaired as at 31 December 2024 (2023: Nil). The securities held as at 31 December 2023 matured during the year.

All the UK Gilts & Treasury bills listed here were collateralised against the TFSME borrowings (also see note 25).

17. Loans and advances to customers

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Amount due:				
- Within three months	559,710	387,901	557,496	387,711
- Over three months but less than one year	1,048,024	951,052	1,047,735	950,038
- Over one year but less than five years	2,730,388	2,479,743	2,730,131	2,479,743
- Over five years	77,057	29,209	77,057	29,209
Gross loans and advances	**4,415,179**	**3,847,905**	**4,412,419**	**3,846,701**
Allowance for ECL	(22,079)	(30,561)	(22,079)	(30,561)
Total allowance for ECL	**(22,079)**	**(30,561)**	**(22,079)**	**(30,561)**
Loans and advances to customers (net)	**4,393,100**	**3,817,344**	**4,390,340**	**3,816,140**

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 61-67.

18. Derivatives held for risk management

2024	Assets		Liabilities	
	Notional amount (£'000)	Carrying amount (£'000)	Notional amount (£'000)	Carrying amount (£'000)
Instruments not designated in accounting hedging relationship				
Cross currency interest rate swaps	100,247	1,397	348,055	7,015
Instruments designated in cash flow hedge accounting relationship				
Interest rate swaps	827,000	817	2,857,116	3,207
FX forwards	-	-	11,964	72
Instruments designated in fair value hedge accounting relationship				
Interest rate swaps	747,000	595	757,621	4,117
Total derivative financial instruments	**1,674,247**	**2,809**	**3,974,756**	**14,411**

2023	Assets		Liabilities	
	Notional amount (£'000)	Carrying amount (£'000)	Notional amount (£'000)	Carrying amount (£'000)
Instruments designated in fair value hedge accounting relationship				
Cross currency interest rate swaps	161,730	2,629	-	-
Instruments designated in cash flow hedge accounting relationship				
Interest rate swaps	900,000	3,136	-	-
Total derivative financial instruments	**1,061,730**	**5,765**	**-**	**-**

Cash flow hedge

Hedged risk- Interest rate risk

Instruments- Interest rate swap and FX forwards

Maturity profile and average price/rate of hedging instrument:

2024	Up to 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	> 5 years	Total
Interest rate swaps						
Notional (£'000)	7,725	299,491	1,964,753	1,412,147	-	3,684,116
Average interest rate	4.716%	4.912%	4.339%	4.163%	-	4.319%
FX Forwards						
Notional (£'000)	996	1,993	8,975	-	-	11,964
Average USD/GBP foreign exchange rate	1.255	1.254	1.254	-	-	1.254

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	-	-	5.108%	-	-	5.108%

Impact of the hedging instruments on the statement of financial position:

2024	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	827,000	817	Derivative assets	(2,199)
	2,857,116	(3,207)	Derivative liabilities	(4,833)
FX Forwards	11,964	(72)	Derivative liabilities	(78)

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	2024 (£'000)	2023 (£'000)
Continuing		
Interest rate risk- floating rate assets	(2,505)	(3,139)
Interest rate risk- floating rate liabilities	-	-
FX risk- Foreign currency income	(73)	-
De-designated		
Interest rate risk- floating rate assets	(1,290)	-
Total	**(3,868)**	**(3,139)**

Change in fair value of hedging instruments used for measuring hedge ineffectiveness:

2024	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 Interest expenses
Interest rate swaps	(7,032)	(6,993)	(39)	Gains/losses on financial instruments at FVPL	(58)
FX Forwards	(78)	(73)	(5)	Gains/losses on financial instruments at FVPL	-

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:

Cash flow hedge reserve	2024 (£'000)	2023 (£'000)
Opening balance	(2,261)	-
Effective portion of changes in fair value arising from interest rate and FX risk	7,066	(3,139)
Net amount reclassified to profit or loss (interest income)	(58)	-
of which due to hedged cash flows no longer occurring	-	-
of which when hedged item is affecting the income statement	(58)	-
Tax impact on above	(1,962)	878
Closing balance	**2,785**	**(2,261)**

Fair value hedge (new transactions in current year)

Hedged risk- Interest rate risk

Instrument- Interest rate swap

Maturity profile and average price/rate of hedging instrument:

2024	Up to 1 month	1 -3 Months	3 months – 1 year	1 – 5 years	> 5 years	Total
Notional (£'000)	95,498	333,123	839,000	87,000	150,000	1,504,621
Average interest rate	5.039%	5.006%	4.562%	4.296%	3.544%	4.574%

Impact of the hedging instruments on the statement of financial position:

2024	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	747,000	595	Derivative assets	686
	757,621	(4,117)	Derivative liabilities	(2,754)

Change in fair value of hedging instruments used for measuring hedge ineffectiveness:

2024	Ineffectiveness recognised in profit & loss (£'000)	Line item in profit or loss that includes hedge ineffectiveness
Interest rate swaps	18	Gains/ losses on financial instruments at FVPL

Impact of hedged items on the statement of financial position:

2024	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)
Fixed rate customer deposits	1,362,665	(31)	Customer deposits	(31)	-
Tier 2 subordinated debt	180,949	2,175	Tier 2 subordinated debt	2,117	-

Instrument- Cross currency interest rate swap

During 2024, the Bank de-designated CCIRS from fair value hedge accounting. There is no change to the economic risk management strategy undertaken for hedging FX risk. The change in treatment only impacts the accounting hedge designation. The underlying hedged items continue to be USD loans and advances to customers and investment in US money market funds.

Maturity profile and average price/rate of hedging instrument:

2024	Up to 1 month	1 -3 Months	3 months – 1 year	1 – 5 years	> 5 years	Total
Notional (£'000)	-	20,347	47,643	368,212	12,100	448,302
Average USD/GBP foreign exchange rate	-	1.268	1.254	1.271	1.289	1.270

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	-	-	-	1.252	-	1.252

Impact of the hedging instruments on the statement of financial position (applicable for 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

Change in fair value of hedging instruments used for measuring hedge ineffectiveness (applicable for 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

Impact of hedged items on the statement of financial position (applicable for 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	-

Reconciliation by risk category of components of equity and analysis of OCI items resulting from hedge accounting:

Cost of hedging reserve	2024 (£'000)	2023 (£'000)
Opening balance	56	-
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
Reclassed to profit & loss on discontinuation of hedge accounting on cross currency interest rate swaps	(78)	
Tax impact on above	22	(22)
Closing balance	-	**56**

19. Other assets

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Deposits with other parties	529	128	444	36
Bank of England – Cash Ratio Deposit	-	13,338	-	13,338
Prepayments	3,177	1,488	3,069	1,411
Receivables	11,884	21,331	3,003	14,426
Collateral for derivatives	33,328	13,747	33,328	13,747
Other assets	(1,862)	1,960	(1,862)	1,960
Total	**47,056**	**51,992**	**37,982**	**44,918**

Other assets mainly include funds received for loans pending appropriation as at the end of the reporting year, which have been subsequently settled.

20. Tangible fixed assets

Bank Group 2024	Leasehold improvements (£'000)	Computer and IT equipment (£'000)	Fixtures, fittings, and office equipment (£'000)	Total (£'000)
Cost				
As at 1 January 2024	-	22	82	104
Additions	56	11	8	75
Write off of tangible fixed assets	-	-	-	-
As at 31 December 2024	**56**	**33**	**90**	**179**
Accumulated depreciation				
At 1 January 2024	-	10	43	53
Charge for the year	16	9	22	47
Write off of tangible fixed assets	-	-	-	-
As at 31 December 2024	**16**	**19**	**65**	**100**
Carrying amount				
As at 31 December 2024	**40**	**14**	**25**	**79**

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 2024	Leasehold improvements (£'000)	Total (£'000)
Cost		
As at 1 January 2024	-	-
Additions	56	56
Write off of tangible fixed assets	-	-
As at 31 December 2024	**56**	**56**
Accumulated depreciation		
At 1 January 2024	-	-
Charge for the year	16	16
Write off of tangible fixed assets	-	-
As at 31 December 2024	**16**	**16**
Carrying amount		
As at 31 December 2024	**40**	**40**

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	**-**	**-**	**-**	**-**

Tangible assets written-off during year ended 31 December 2024 was Nil (2023: £54K).

21. Leases

Lease assets and liabilities

	2024 (£'000)	2023 (£'000)
Right-of-use (ROU) assets		
Cost		
Balance at 1 January	3,371	3,067
Additions	342	1,190
Adjustments[1]	384	(886)
Balance at 31 December	**4,097**	**3,371**
Accumulated depreciation		
As at 1 January	1,113	510
Charge for the year	661	603
Deletions	-	-
Balance at 31 December	**1,774**	**1,113**
Carrying value		
As at 31 December	**2,323**	**2,258**

[1] Adjustments are on account of modification in ROU assets for change in lease contract/ discount rates

	2024 (£'000)	2023 (£'000)
Lease Liabilities	**4,024**	**4,146**
- within one year	1,030	690
- between one and five years	2,994	3,456
- after five years	-	-

Amounts recognised in the statement of profit and loss

	2024 (£'000)	2023 (£'000)
Depreciation charge of ROU assets	661	603
Interest on lease liabilities	556	440
Expense relating to short term leases	101	132
Expense relating to low values leases[1]	350	327
Total expense recognised in profit and loss	**1,668**	**1,502**

[1] 2023 figures restated to reflect lease expenses of A.S.K Partners Limited.

Amounts recognised in the statement of cash flows

	2024 (£'000)	2023 (£'000)
Total cash outflows for leases (principal payment)	852	246
Total cash outflows for leases (interest payment)	556	440

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.

22. Intangible assets

	Internally developed Software (£'000)
Cost	
As at 1 January 2024	6,695
Additions	5,279
Write off of intangibles assets	-
As at 31 December 2024	**11,974**
Accumulated amortisation	
At 1 January 2024	1,056
Charge for the year	1,951
Write off of intangibles assets	-
As at 31 December 2024	**3,007**
Carrying amount	
As at 31 December 2024	**8,967**

	Purchased Software (£'000)	Internally developed Software (£'000)	Total (£'000)
Cost			
As at 1 January 2023	203	4,358	4,561
Additions	-	2,961	2,961
Write off of intangibles assets	(203)	(624)	(827)
As at 31 December 2023	-	**6,695**	**6,695**
Accumulated amortisation			
At 1 January 2023	203	65	268
Charge for the year	-	1,074	1,074
Write off of intangibles assets	(203)	(83)	(286)
As at 31 December 2023	-	**1,056**	**1,056**
Carrying amount			
As at 31 December 2023	-	**5,639**	**5,639**

The internally developed software 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 2024 was 2.7 years (2023: 3.3 years).

Intangible assets written-off during the year ended 31 December 2024 was Nil (2023: £541K). There was no impairment loss recognised on these assets during the year (2023: Nil).

23. Goodwill

	Goodwill (£'000)
Cost	
As at 1 January 2023	11,647
Additions	-
Deletions	-
As at 31 December 2023	**11,647**
As at 1 January 2024	**11,647**
Additions	-
Deletions	-
As at 31 December 2024	**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 2024 (2023: 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 2024 (2023: Nil). The VIU calculation is based on management plan which covers the three year period from 2025 to 2027 inclusive. The management plan is developed based on historical trends, prevailing market conditions, and the company's business strategy, incorporating the best estimate of future performance. It includes commercially sensitive assumptions, such as income growth rates, cost of sales projections, and expenditure forecasts over the planning period, ensuring a comprehensive and forward-looking approach. 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 (2023: 1%). A post-tax discount rate of 7.5% (2023: 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.

24. Customer deposits

	2024 (£'000)	2023 (£'000)
Customer deposits	6,103,046	4,639,352
Amounts due:		
- Within three months	804,194	865,622
- Over three months but less than one year	1,954,315	1,868,614
- Over one year but less than five years	182,800	462,863
Total notice and term deposits	**2,941,309**	**3,197,099**
Withdrawable deposits (Easy access, ISAs & current accounts)	3,161,737	1,442,253
Total deposits	**6,103,046**	**4,639,352**

As part of the fair value hedge accounting, the Bank has adjusted the carrying amount of the customer deposits by £31K as of December 31, 2024 (2023: Nil), to reflect changes in interest rates. This adjustment is recognised in the statement of profit & loss.

25. Borrowings under BoE Term funding scheme

	2024 (£'000)	2023 (£'000)
Borrowings under the BoE Term Funding Scheme	202,445	202,647
Amounts due:		
- over one year but less than five years	**202,445**	**202,647**

As at 31 December 2024, OakNorth had borrowed £200.0 million (2023: £200.0 million) 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 475 bps as at 31 December 2024 (2023: 525 bps). The borrowing is repayable in October 2025. The borrowing is collateralised against Gilts & Treasury Bills portfolio of £207.2 million (2023: £205.9 million). The borrowing is held at amortised cost.

There were no payment defaults or other breaches with respect to its borrowings under BoE term funding scheme during the year ended 31 December 2024 (2023: Nil)

26. Trade and other payables

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Trade creditors and accruals	20,530	17,056	18,859	16,342
Payroll taxes and social security	2,295	2,516	1,846	1,545
Payable to group entities -Corporation tax on group losses[1]	110	208	110	208
Total	**22,935**	**19,780**	**20,815**	**18,095**

[1] Payable to group entities in respect of passthrough of tax credit arising from the surrender of tax losses to the Bank as part of the UK Corporation Tax Group.

All amounts above are payable within one year.

27. Intercompany borrowings

	2024 (£'000)	2023 (£'000)
Intercompany borrowings	**8,345**	**11,953**
Amounts due:		
- repayable on demand	8,345	11,953

28. Provisions and other liabilities

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Lease liabilities	4,024	4,146	4,024	4,146
Unamortised fees on undrawn loan commitments	4,897	3,363	4,897	3,363
Interest reserves maintained pursuant to lending agreements	11,945	12,869	11,945	12,833
Other liabilities	285	440	285	440
Provision on undrawn loan commitments	238	826	238	826
Total	**21,389**	**21,644**	**21,389**	**21,608**

Other liabilities mainly include funds received for deposits pending appropriation 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.

29. Tier 2 subordinated debt

	2024 (£'000)	2023 (£'000)
Tier 2 subordinated debt	**180,949**	**30,141**
Amounts due:		
- over five years	180,949	30,141

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 March 2029 and mature in March 2034. Subsequently, in October 2024, the Bank issued another 10-year £150.0 million subordinated notes with coupon of 10%. The notes are callable at the option of OakNorth in January 2030 and mature in January 2035. Both the notes are held at amortised cost. The instruments are 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 2024 (2023: Nil).

As part of the fair value hedge accounting, the Bank has adjusted the carrying amount of the Tier 2 subordinated debt by £2.2 million as of December 31, 2024 (2023: Nil), to reflect changes in interest rates. This adjustment is recognised in the statement of profit & loss.

30. Called up share capital

	Bank 2024 (£'000)	Bank 2023 (£'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

	No of shares (in '000)
As at 1 January 2023	389,320
Issue of shares during the year	-
As at 31 December 2023	389,320
Issue of shares during the year	-
As at 31 December 2024	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.

31. Retained earnings

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Brought forward as at 1 January	487,565	351,208	484,309	350,074
Profit during the year	159,334	138,470	156,306	134,235
Payment of dividend to Parent	(20,000)	-	(20,000)	-
Non-Controlling Interest share in profits	(1,511)	(2,113)	-	-
Unwinding of investment in A.S.K group entities[1]	32	-	-	-
As at 31 December	**625,420**	**487,565**	**620,615**	**484,309**

[1] The unwinding of A.S.K Partners Limited's investment in its group entities led to an increase of £32K in retained earnings, as reflected in the statement of changes in equity. This adjustment represents the realised gain arising from the unwinding of the investment.

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

32. 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	
		2024	2023	2024	2023
A.S.K Partners Limited[1]	UK[2]	50.1%	50.1%	49.9%	49.9%
ONB Lendco 1 Limited	UK[3]	100%	-	-	-

[1] OakNorth Bank has 56.6% voting rights in A.S.K Partners Limited while the NCI has 43.4% voting rights. Voting rights are assigned to specific class of shareholders. During the current reporting period, A.S.K Partners Limited issued growth shares to certain employees, as shown in the statement of changes in equity. These shares carry no voting or profit participation rights, leaving ownership interest and voting rights percentages unchanged from the previous year.

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

[3] Registered address: 57 Broadwick Street, Soho, London W1F 9QS

Financial and cash flow statements of the subsidiary (A.S.K Partners Limited) consolidated in the Group financial statements, including details of non-controlling interest

(£'000)	2024	2023
Cash at banks	5,155	5,017
Current & Fixed Assets	9,113	7,196
Loans	2,760	1,203
Current & Non-Current Liabilities	(2,178)	(1,720)
Net Assets	**14,850**	**11,696**
Carrying amount of NCI	**7,442**	**5,835**
Revenue	15,010	13,213
Profits	3,028	4,235
Total Comprehensive Income	**3,028**	**4,235**
Profit allocated to NCI	**1,511**	**2,113**
Cash flows from operating activities	93	415
Cash flows from investing activities	(19)	(18)
Cash flows from financing activities	64	-
Net increase in cash and cash equivalent	**138**	**397**

ONB Lendco 1 Limited was established in 2024 and there were no reportable transactions or balances as at 31 December 2024.

33. Segmental information

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

34. Related party transactions

	2024		
	Net payments to/ (recharges from)	Balance due to/ (by)	Intercompany deposits/ borrowings (net movement)
	£'000	£'000	£'000
OakNorth Global Private Limited	23,660	1,557	133
OakNorth (India) Private Limited	544	47	-
OakNorth (UK) Limited	14,791	(1,297)	9,322
OakNorth International (UK) Limited	660	31	3,855
OakNorth Global (US) Inc.	(52)	(459)	(7,398)
OakNorth Americas (US) Inc.	433	24	-
OakNorth Finance Limited	-	-	(42)
OakNorth Holdings Limited	20,957	(38)	(18,096)
Fluidly Limited	7	-	-
OakNorth (Jersey) Limited	2	-	35
A.S.K Partners Limited	(261)	(19)	-

	2023		
	Net payments to/ (recharges from)	Balance due to/ (by)	Intercompany deposits/ borrowings (net movement)[1]
	£'000	£'000	£'000
OakNorth Global Private Limited, India	22,512	2,490	860
OakNorth (UK) Limited	85	(13,973)	673
OakNorth International (UK) Limited	164	163	(2)
OakNorth Global (US) Inc.	69	(128)	7,844
OakNorth Americas (US) Inc.	30	21	-
OakNorth Holdings Limited	961	(721)	12,493
Fluidly Limited	21	46	-
OakNorth Finance Limited	2	-	40
OakNorth (Jersey) Limited	(1)	-	-

[1] 2023 figures have been restated to reflect the net movement in Intercompany deposits/ borrowings, which were previously reported on a gross basis.

Amounts outstanding with Holding and sister companies as at balance sheet are shown below-

	2024 (£'000)	2023 (£'000)
OakNorth Holdings Limited		
Deposits placed	18,286	35,436
Intercompany borrowings	4,024	3,904
Equity holding	389,320	389,320
OakNorth Global (US) Inc		
Intercompany borrowings	235	8,049
OakNorth Global Private Limited, India		
Deposits placed	1,034	870
OakNorth (UK) Limited		
Deposits placed	10,078	683
OakNorth Finance Limited		
Deposits placed	-	42
OakNorth (Jersey) Limited		
Deposits placed	37	-
OakNorth International (UK) Limited		
Deposits placed	34	-
Intercompany borrowings	4,086	-

Other off balance sheet items: OakNorth Bank Plc has provided £14.8 million uncommitted facility provided to A.S.K Partners Limited (2023: £22.1 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. A.S.K 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 (2023: Nil). Directors and their close family members had placed £131k (2023: £40k) of deposits with the Bank.

35. Fair value measurement

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.

2024 (£'000)	Bank Group			Bank		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investment securities	331,238	-	-	331,238	-	-
Derivative assets held for risk management	-	2,809	-	-	2,809	-
Derivative liabilities held for risk management	-	14,411	-	-	14,411	-

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	-

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
2024	£'000	£'000	£'000	£'000	£'000
Assets					
Loans and advances to banks	-	80,632	-	80,632	80,632
Loans and advances to customers	-	-	4,391,733	4,391,733	4,393,100
Liabilities					
Customer deposits	-	-	6,086,705	6,086,705	6,103,046
Borrowings under BoE Term funding scheme	-	202,445	-	202,445	202,445
Tier 2 subordinated debt	-	172,687	-	172,687	180,949
Intercompany borrowings	-	-	8,345	8,345	8,345

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	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2024	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Loans and advances to banks	-	75,477	-	75,477	75,477
Loans and advances to customers	-	-	4,388,973	4,388,973	4,390,340
Liabilities					
Customer deposits	-	-	6,086,705	6,086,705	6,103,046
Borrowings under BoE Term funding scheme	-	202,445	-	202,445	202,445
Tier 2 subordinated debt	-	172,687	-	172,687	180,949
Intercompany borrowings	-	-	8,345	8,345	8,345

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

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- The Group enters into interest rate swaps, cross currency interest rate swaps and foreign exchange forward contracts and values them using valuation techniques that employ the use of market observable inputs. The valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

In addition to the above, we hold £2.7 billion as at 31 December 2024 (2023: £1.6 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.

36. Contingent liabilities and commitments

As on 31 December 2024, OakNorth had undrawn loan commitments outstanding for £504.2 million (2023: £384.5 million). OakNorth also had £1,236.3 million of uncommitted facilities outstanding as at 31 December 2024 (2023: £1,061.8 million). This excludes £14.8 million uncommitted facility provided to A.S.K Partners Limited (2023: £22.1 million). OakNorth had no other contingent liabilities as on 31 December 2024 (2023: 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.

37. Risk management disclosures

For OakNorth's Capital, Liquidity, and interest rate risk Management disclosures, please see section "Risk Management Framework and Risk Review", pages 67-70.

Credit risk disclosures are provided on pages 56-67. 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 61-67.

38. Additional notes to Cash Flow Statement

	Bank Group		Bank	
	2024 (£'000)	2023 (£'000)	2024 (£'000)	2023 (£'000)
Changes to Operating assets & liabilities				
Net change in other assets	1,545	(24,629)	6,935	(21,477)
Net change in trade and other payables	3,253	6,617	2,818	6,310
Net change in provisions and other liabilities	(133)	(12,845)	(97)	(12,781)
Total	**4,665**	**(30,857)**	**9,656**	**(27,948)**

39. Controlling party

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.

40. Post balance sheet events

The Board approved a £40 million dividend payment to the Bank's ordinary shareholders on 27 February 2025.

OakNorth

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