Charity Bank
Annual Report 2016

A bank for good

The Charity Bank Limited

The Charity Bank is regulated by the Prudential Regulation Authority ("PRA") and authorised by the Financial Conduct Authority ("FCA") as a deposit-taking institution under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012).

Charity Bank's mission is to attract share capital from social investors, take savings from socially conscious individuals and lend solely to social purpose organisations, and, as a result, be the most admired bank in the UK.

CHAIRMAN

George Blunden

CHIEF EXECUTIVE

Patrick Crawford

REGISTERED OFFICE

Fosse House

182 High Street

Tonbridge

Kent

TN9 1BE

Telephone: 01732 441900

Email: enquiries@charitybank.org

Website: www.charitybank.org

Registered company number: 4330018

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

Joint statement from the Chairman and Chief Executive

We achieved record levels of lending to charities and social enterprises in 2016, for the second consecutive year.

We have continued the momentum of the previous three years, growing our loan book by over 20% year on year over that period. This sustained level of growth means that a growing number of charities and social enterprises are benefitting from fair and affordable finance, provided by a bank specifically created to serve the sector.

The growth of our loan book has resulted in a smaller loss of £1.3 million (2015: loss of £2.0m). We expect this trend to continue as we move closer towards profitability and financial sustainability.

In 2016 we lent £27.9 million (2015: £24.7m), increasing the value of our drawn loan assets by 28%. Our loans have facilitated social impacts across all sectors, including arts, community, education, environment, faith, health, housing, regeneration, social care and sports.

As our loan book grows, so does our impact, with increasing numbers of people benefitting from improved facilities, additional services and new initiatives.

Capital investment

In January 2016 Barrow Cadbury Trust invested £0.25m in Charity Bank, in support of our mission to use money for good. In October 2016 Big Society Capital, our largest shareholder, provided further backing through a £5 million investment in our share capital. This was the second of three tranches representing Big Society Capital's commitment to invest up to £14.5 million in our ordinary shares.

These injections of capital are enabling us to increase the amount we can lend to each organisation and to meet the growing demand for loans from charities and social enterprises.

Social sector confidence

Our pipeline of approved loans remains strong and reflects the continuing confidence of the social sector in taking on new projects to address society's needs. This confidence and resulting loan demand has shown no signs of weakening since the EU Referendum vote in June 2016. We expect that, unless the sector faces new shocks, the growth in our loan commitments and drawn loans in 2017 will continue to match the rising trend of the past two years.

In the face of a shifting political, social and economic outlook, one thing is certain: the social sector will continue to play a vital role in addressing the needs of communities across the UK. At Charity Bank, we have the resource and capacity to play our part. We are here to help charities and social enterprises adapt, take advantage of new opportunities and create a better world.

Social impact

The results of our 2016 borrower survey demonstrate how our approach to banking for good continues to create social impact.

97% of respondents said our loan contributed towards the achievement of their mission and, where we lent to support a project, almost three-quarters (74%) said it would not have gone ahead without our loan.

The benefits of our loans and support can be wide-reaching. 65% said our loan also led to improvements in how they managed their finances; 46% said our loan helped secure additional sources of funding; 76% said the quality of service or support they provided to beneficiaries improved as a result of our loan; and 69% said our loan led to an expansion of their provision of services.

Joint statement from the Chairman and Chief Executive (continued)

Ethical approach

We are a straight-forward savings and loans bank with a mission to use money for good. It is our ethical approach and our commitment to our mission that sets us apart from mainstream financial service providers.

We are proud to be listed as one of the most ethical companies in the world for the third year running, according to research carried out by The Good Shopping Guide in 2016.

We remain the only bank in the UK with the Social Enterprise Mark, recognising our social purpose and social sector ownership.

The renewal in February 2017 of our accreditation as a B Corporation shows that we continue to meet rigorous standards of social and environmental performance, accountability and transparency.

Banking for good

Fourteen years ago we began our journey as an independent ethical bank.

Since our foundation in 2002 to the end of 2016, we have provided almost £170 million of loan finance to support organisations that are working to enrich and improve society. Over this time we have incurred loan losses of less than 0.5% of our loans, due to the prudence exercised by our social sector borrowers and our sound credit assessment standards.

The stable quality and growing size of our loan book demonstrate that loans can be an important and effective tool for social sector organisations seeking to make a bigger difference to the world around them.

Let us give a few examples.

Our recent loan to Extern will result in at least ten individuals or families, who are currently homeless in Belfast, moving into a home of their own. Action on Hearing Loss used our loan to help save local support services for deaf adults in Westgate-on-Sea. And Prince Bishops Homes is using our loan to deliver much-needed properties of good quality for rent and to help first-time buyers to climb onto the housing ladder.

Changes to Board membership

In line with a strategy agreed with Big Society Capital in March 2014, the number of Directors on the Board of Charity Bank was reduced on 31st December 2016 to a maximum of twelve. This reduction coincided with the introduction of a new governance structure. The Chairman of the Board has worked with the Governance Committee to maintain an appropriate balance of skills and knowledge of banking and of the social sector, on both the Board and its Committees.

We pay tribute to the Directors who have retired since our last annual report: Clive Bowles, Alan Graham, Martin Mosley, Stephen Morrison, Chris Vermont and Karl Wilding. They have devoted much time and wise counsel in helping to build and guide the bank as it has grown and strengthened itself.

We are also pleased to welcome two new Directors, Michael Crabb and Toby Walter, and hope that they will have the same sense of achievement as that of our departing colleagues.

Joint statement from the Chairman and Chief Executive (continued)

David Tinker

January 2016 brought the sad news of the sudden and unexpected death of David Tinker, our Finance Director. David used his experience and skills unstintingly to support our work and life of Charity Bank and he is sorely missed as a colleague and as a friend.

We are pleased that our former colleague, Gillian Howell, agreed to fulfil the role of Acting Financial Director with immediate effect and was appointed as a permanent successor to David during the year.

Thanks

Finally, we thank the Board and all our staff members for their enthusiasm, hard work and dedication in serving our savers and supporting the extraordinary work of our borrowers, during a year of significant growth for Charity Bank.

George Blunden
Chairman
12th April 2017

Patrick Crawford
Chief Executive
12th April 2017

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

Strategic Report

Financial review

The Report and Accounts for the year ended 31st December 2016 have been prepared in accordance with statutory requirements and comply with International Financial Reporting Standards. Key performance indicators (KPI's) are produced on a monthly basis and are monitored by the Executive Committee (EXCO). The following table lists the KPI's for 2015 and 2016.

	2016 £'000	2015 £'000	% Increase/ (Decrease)	
Balance sheet				
High quality liquid assets	7,107	14,604	(51.3%)	As defined under prudential regulations
Other investments	21,221	17,703	19.9%	Investment of our surplus liquidity
Loans and advances to customers before provisions	88,040	68,885	27.8%	What we are about - support and finance for charities
Deposits	101,562	89,946	12.9%	Funded by private individuals, companies and charities
Subordinated loan notes	2,007	2,008	(0.0%)	From charitable foundations and an individual
Called-up share capital	9,153	12,622	(27.5%)	Contributed by Big Society Capital, CAF and other charities and trusts
Total Shareholders' funds	15,939	12,014	32.7%	Representing share capital, distributable and non-distributable reserves
Balance sheet total assets	120,970	104,881	15.3%	
Comprehensive income				
Net interest income	3,576	3,509	1.9%	What we earn from lending and investments after the cost of our funds
Other income	111	(121)	191.7%	Revenue grants, fees and commission income, loss on available-for-sale financial assets
Administrative expenses	(4,985)	(5,090)	(2.1%)	Total costs for operating and managing the bank
Total comprehensive loss for the year	(1,325)	(2,006)	(33.9%)	
Loan origination and progression				
Approvals	74,400	34,100	118.2%	Loans approved during the year for progression to be drawn down
Committed loans	37,200	17,200	116.3%	Approved loans on which offers have been made to borrowers and are available to be drawn

Strategic Report (continued)

Financial review (continued)

How the numbers relate	2016	2015
Loans to customers as a proportion of balance sheet before impairment	72.8%	65.7%
Deposits as a proportion of balance sheet	84.0%	85.8%
Interest yield	4.11%	3.61%
Average cost of funds	1.01%	0.93%
Return on total funds	(8.3%)	(16.7%)

Charity Bank made a total loss for the year of £1.3m compared to a loss in 2015 of £2.0m.

In 2016 the treatment of loan non-utilisation fees was changed. Note 1 provides further information. This resulted in an increase to brought-forward reserves at 31 December 2014 of £0.4m and an increase in fee income in 2015 of £0.1m

Charity Bank's low cost of funds was achieved mainly through deposits received under the Community Investment Tax Relief ("CITR") scheme.

Balance sheet

Charity Bank's balance sheet increased by 15.3% (2015: 7.9% decrease) during 2016.

On the assets side, loans (after provisions) to charities, community groups and social enterprises increased by 27.9% (2015: 26.4% increase), with 72.8% (2015: 65.7%) of the balance sheet being used to make charitable loans. We now have a growing pipeline of loans at various stages of the approval and commitment process and are receiving a high level of enquiries. On top of the liquidity reserves that we are required to maintain by the PRA, we hold a high level of liquid assets to service our expected volume of loan commitments and drawn loan assets in 2017 and we expect to be readily able to raise sufficient deposits to fund our business growth in 2017 and beyond.

With respect to liabilities, deposit levels increased during the year, growing by 12.9% in 2016 (2015: 7.4% decrease).

We have seen the lengthening of the maturity profile of our customer deposits, with savers withdrawing funds from their Individual Savings Accounts alongside an increase in the demand for our longer one and three-year term fixed rate products. This is shown by the growth of £2.4 million in deposits of a maturity of between one and five years. A detailed analysis can be found in note 16 in the Notes to the Financial Statements.

The longer-term outlook for our ability to raise deposits is encouraging as the CITR scheme, which enables us to obtain deposits at a low cost to fund our loans, continues to be supported by the government.

Strategic Report (continued)

Profit and loss

Our net interest income increased by 1.9% (2015: 11.6% increase) as a result of the growth in our drawn loan portfolio during the year.

Fee income increased by 49% (2015: 39% decrease). Non-utilisation fees are now recorded as income as earned and are no longer included in the effective interest rate calculation per the restatement described in note 1.

The loss on available-for-sale financial assets decreased by 49% (2015: 29% increase).

On the expenditure side, our administrative expenses and depreciation and amortisation, decreased by 2% from £5.2 million to £5.1 million (2015: 18% increase). Headcount was reduced in the second half of the year as part of a strategic cost and efficiency review.

The general impairment charge for loans decreased by £0.1m (from a charge of £0.1m in 2015). A specific impairment charge of £0.2m was recorded in 2016 in respect of two loans.

Loan origination and progression

Our loan origination for the year has been strong with approvals in the year of £74.4m, an increase of 118% (2015: £34.1m, increase of 5%). Our loan commitments have also grown during 2016. Committed loans are loans that have been approved and have now progressed to at least an offer document being issued to the borrower. Some may be awaiting all documentation to be finalised whereas others may have already been partially drawn with a balance remaining to be drawn in the future. The level of commitments as at 31st December 2016 had increased by 116% to £37.2m (2015: increased by 2% to £17.2m).

Viability statement

The Board has assessed Charity Bank's viability over the three-year period to 31st December 2019. In making this assessment, the Board has referred to Charity Bank's planning process and its principal risks as detailed on pages 9 to 12 within this Strategy Report. The Board believes this period is appropriate as it corresponds to the expected future inflows of capital, although the Board does have regard to viability over the medium term up to five years.

The planning process includes a medium-term budget ("Business Plan") and a capital and liquidity assessment of Charity Bank supported by regulatory documents.

The Business Plan provides medium-term direction and is reviewed at least annually. It includes five-year forecasts showing the expected financial impact of different assumptions and sensitivities. The strategy is further tested in a series of robust downside financial stress scenarios as part of the annual regulatory reviews undertaken by the Board.

Financial modelling is used to quantify these risks so that sufficient regulatory capital will be held to mitigate the impact of these risks.

This approach represents a robust assessment of the principal risks and documents any mitigating action that Charity Bank would take if necessary.

The Directors have therefore concluded, based on the extent of the financial planning process, and the expected growth in the balance sheet and maintenance of a secure regulatory capital position, that there is a reasonable expectation that Charity Bank will have adequate resources and will continue to operate and meet its liabilities as they fall due over the period of their assessment.

Strategic Report (continued)

Management of Charity Bank

Unusually for a bank, but in keeping with its former charitable status, Charity Bank's non-executive members of the Board are unpaid. They contribute actively to the oversight of the bank through membership of Board committees, supporting and challenging management, and also through direct meetings with customers, attending open days and through the arrangements we make for our stakeholders to visit borrowers every other year.

Day-to-day management of Charity Bank is delegated by the Board to the Chief Executive, who is supported by the executive management team.

Charity Bank appointed the Chief Executive and Deputy Chief Executive to the Board in January 2014 as Charity Bank's first Executive Directors following the surrender of its charitable status. The other members of the management team (together forming the Executive Committee) are also in attendance at Board meetings. Despite the change in its charitable status, Charity Bank remains the bank for the social sector, and continues to focus on lending that is expected to have a worthwhile social impact.

Committee structure

Charity Bank is governed by a Board that is empowered to take such steps as are necessary to achieve Charity Bank's objectives. These include the making of appropriate arrangements for the sound management of the Charity Bank's business with the overall responsibility for day-to-day management delegated to the Chief Executive who is authorised to maintain an appropriate management structure.

The Board delegates some of its powers to the following committees:

- **Audit Committee:** responsible for oversight and challenge of the accounting policies and disclosures; supervising the issue and integrity of the audited financial statements of Charity Bank and the performance of the external auditors; reviewing and challenging the overall effectiveness of Charity Bank's systems, processes and controls; overseeing whistleblowing arrangements; and monitoring the performance and reports of the internal audit function.
- **Governance Committee:** responsible for overseeing good Board and Board committee governance; reviewing succession-planning, nominations and the skills mix of non-executive Board members and senior executives; and approving remuneration of the executive management and the reward policy for other members of staff.
- **Risk Committee:** responsible for the oversight of risk management systems, policies and procedures; monitoring the operation of the risk management framework; reviewing forward looking and strategic risks; overseeing and challenging liquidity and capital adequacy (including regulatory documents, the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP)); recommending the setting of risk appetite statements to the Board; approving credit, liquidity, market (interest rate) risk and operational risk appetite and related policies; monitoring financial crime and regulatory risks; and setting policy on asset and liability management, interest rate risk and exposures to financial counterparties.
- **Credit Sub-Committee:** a sub-committee of Risk Committee, responsible for approving large, novel or contentious loans and variations under the delegated authority of the Board; and monitoring the Internal Credit Committee.

Strategic Report (continued)

Committee structure (continued)

The Chief Executive oversees the day-to-day management of Charity Bank with the support of the Executive Committee, which is chaired by the Chief Executive. Its members currently consist of the Deputy Chief Executive and Chief Risk Officer, the Banking Director, the Business Development Director, the Finance Director and the Head of Credit, with the General Counsel and Company Secretary in attendance. The Executive Committee meets at least fortnightly, or as required.

Principal risks and uncertainties

The Board recognises that Charity Bank's concentration of lending activities in one sector, its standing as a mission-led enterprise and the standards expected of such an entity, and its small size give rise to inherent risk and the need to maintain close vigilance over its activities.

The Board takes the view that Charity Bank's principal risks and uncertainties lie in its exposures to:

- the political and economic environment and changes in the government's approach to social policy;
- credit risk and the concentration of that exposure in one sector, with resulting lack of portfolio diversification;
- the mismatch between the tenor of its loans and the maturity of its deposits, and the risk of depositors withdrawing deposits upon notice ("liquidity risk");
- interest rate mismatches on its assets and liabilities;
- funding risk, particularly the need to fund increases in the loan book with capital raising and deposits from savers; and
- key person dependencies, arising from its small size.

These risks are mitigated in various ways as set out below.

Credit risk and concentration risk

Charity Bank has in place a system to control its exposure to credit risk, including the taking on of new loans in line with its credit policy and the reporting on and monitoring of its exposure to the risk of financial loss from the incidence of credit risk. The setting of credit risk policy is delegated to the Risk Committee in accordance with the risk appetite set by the Board. New loans are approved by the Credit Sub-Committee or Internal Credit Committee in accordance with their delegated limits. The Internal Credit Committee monitors the quality of the loan portfolio and any concentrations of risk and trends in the related risk environment; reviews the quality of existing loans whose value is impaired or loans where a payment has not been received on its due date from the borrower; and considers related reports and management information.

The Risk Committee reviews regularly Charity Bank's exposure to credit risks and this system of control.

Charity Bank is exposed to concentration risk from its remit to lend to social sector organisations ("SSOs").

Charity Bank's exposure to this risk is mitigated in a number of ways, including:

- utilising sector expertise and relevant experience through its staff and through its Board members; and
- ensuring that all lessons drawn from any loss experience have been incorporated in its credit policy.

Strategic Report (continued)

Credit risk and concentration risk (continued)

As a result of its understanding of SSOs, Charity Bank expects that both the probability of defaults and the size of any losses incurred as a result of given defaults on its portfolio will continue to be lower than in the wider SME sector.

In pursuit of this goal:

- Charity Bank sets limits on the top twenty borrowers as a proportion of its loan book and regulatory capital, limits on its aggregate exposure to individual sectors, and a single borrower limit set in relation to its regulatory capital; and
- Charity Bank makes its credit decisions primarily on the basis of the ability of its borrowers to repay; it also generally requires security over related real estate assets as a secondary source of repayment.

As a result of its expertise in and understanding of SSOs, its cautious stance on the maximum ratio of the amount of its loan to the value of the related security, and the low volume of unsecured lending that it has undertaken, the credit quality of Charity Bank's loan exposures has remained stable and performed well.

The Board expects this outcome to continue in future in the light of Charity Bank's system of control for managing credit risk.

Liquidity risk

The Risk Committee sets and reviews Charity Bank's appetite for liquidity risk in a liquidity policy and advises the Board accordingly. The expression of appetite and capacity is translated into limits, thresholds and other indicators, for example, monitoring the worst-case asset / liability maturity profile.

These take into account capital adequacy and liquidity levels (including short-term cash flow forecasting), and threats to stakeholder value and reputation. Appetite is also a determinant in corporate planning and identifying future liquidity requirements.

Management oversight of liquidity risk is undertaken through the Assets and Liabilities Committee which is responsible for assisting the Finance Director to manage financial risks; recommending policies on the investment of capital and liquid resources to the Risk Committee; reviewing exposures to interest rate risk and financial counterparty risk; and monitoring that management of liquidity and capital meets business and regulatory requirements.

The Board has assessed its overall appetite for liquidity risk overall as "moderate".

Risk mitigation arrangements are in place through reporting Charity Bank's exposure to liquidity risks by means of key performance indicators in management information packs for the Board and through regular monitoring by the Risk Committee of Charity Bank's risk profile.

Interest rate risk

The Risk Committee sets and reviews Charity Bank's appetite for interest rate risk and articulates this through an Interest Rate Risk policy, advising the Board accordingly. The expression of appetite to each type of interest rate risk is then translated into appropriate limits and thresholds for review by the Asset and Liabilities Committee and the Risk Committee.

Day-to-day management oversight of the interest rate risk is undertaken through the Assets and Liabilities Committee.

Interest rate risk (continued)

The Executive Committee has responsibility for:

- ensuring that Charity Bank offers the appropriate type and mix of loans and deposits products to its customers; and,
- setting rates on Charity Bank's loans, deposits and loan notes.

When making decisions in respect of these responsibilities, the Executive Committee considers the impact on Charity Bank's exposure to interest rate risk.

Risk mitigation arrangements are in place through reporting Charity Bank's exposure to interest rate risk by means of key performance indicators in management information packs for the Board and through regular monitoring by the Risk Committee of Charity Bank's risk profile.

Funding risk

Charity Bank is exposed to the risk of not raising sufficient deposits to fund the growing loan book or customers withdrawing their deposits at short notice. This is mitigated by:

- developing and promoting term and notice deposit products; and
- attracting personal depositors, charities and clubs, and business depositors who identify with its mission.

Capital risk

Capital requirements

Charity Bank is required to have sufficient capital that enables it to meet its minimum regulatory capital requirements at all times; facilitates growth plans; ensures it can withstand an adverse stress scenario and continue to meet its Individual Capital Guidance ("ICG") issued to it by the PRA; and provides assurance of its resilience to depositors, customers, shareholders and other key stakeholders.

Capital regulatory framework

Charity Bank operates under the CRD IV CRR regulatory framework as required by its regulators; the European Banking Authority ("EBA"); the Financial Conduct Authority ("FCA"); and the Prudential Regulation Authority ("PRA").

The prudential regulatory framework applicable to Charity Bank is designed to assess the adequacy of a firm's 'Own Funds' (Capital Resources) by considering all material risks to the business, including those not covered or otherwise not adequately addressed by credit risk, market risk and operational risk, and the impact of stress tests conducted across a variety of different scenarios. Additionally, the requirements for assessing additional risks provide encouragement to firms to develop, operate and continuously improve their risk management techniques for monitoring, measuring and managing their specific material risks.

Charity Bank's Own Funds requirement is split into two categories: the Pillar 1 Capital Resources Requirement ("Pillar 1") (being the sum of the credit risk capital requirement, the market risk capital requirement and the operational risk capital requirement); and the Pillar 2 Capital Resources Requirement ("Pillar 2") (which includes assessments for liquidity risk, concentration risk, earnings risk, interest rate risk, reputation risk and business risk).

There are two stages to determining the level of Pillar 2: the analysis and conclusion in Charity Bank's ICAAP and the PRA's view which takes account of its oversight of Charity Bank and the results of its supervisory review meetings with Charity Bank.

Strategic Report (continued)

Capital risk (continued)

The ICAAP is a firm's own internal assessment of the overall adequacy of its capital strength in the context of the material risks it has identified and of the outcome of the assessment of stress scenarios it has identified and quantified taking into account regulatory guidance. The ICAAP process also includes the identification and evaluation of the impact of appropriate stress conditions, which are sets of sensitivities and scenarios designed to show the ability of Charity Bank to continue to meet its capital and liquidity requirements under adverse (firm-specific and/or market-wide) conditions.

The supervisory review meeting is part of an independent review conducted by the PRA in order both to review and to evaluate a firm's ICAAP processes and documentation, and to assess the quality of the firm's risk management systems and internal controls. Based on this, the PRA makes its own determination of the capital adequacy of the firm and sets a minimum capital requirement for the firm through the issue of its Individual Capital Guidance.

Pillar 1

The Pillar 1 Capital Resources Requirement is the sum of the credit risk capital requirement and the operational risk capital requirement. Charity Bank calculates it credit risk Pillar 1 requirements using the standardised approach. The operational risk Pillar 1 requirement is calculated under the Basic Indicator Approach ("BIA"). Under CRD IV, Charity Bank must hold total capital equal to 8 percent of its total risk weighted assets to cover its Pillar 1 capital requirements. Charity Bank is also subject to a number of common equity tier 1 ("CET1") capital buffers over and above the required minimum CET1, Tier 1 and Total Capital ratios. These capital buffers were implemented under CRD IV. The buffers applicable to Charity Bank include the capital conservation buffer and the countercyclical buffer. The capital conservation buffer phase-in commenced on 1 January 2016 when it was set at 0.625 percent, with the full requirement of 2.5 percent due to be fully phased-in by January 2019.

Pillar 2

The Pillar 2 capital requirement charge is set by the PRA as part of its Supervisory Review and Evaluation Process and covers additional risks not deemed to be included in the Pillar 1 capital requirement charge. Charity Bank's internal assessment of its Pillar 2 capital requirement includes assessments for liquidity risk, concentration risk, earnings risk, interest rate risk and business risk.

Further details of Charity Bank's capital requirements and resources are provided in note 24 and also in the annual Pillar III disclosures which are available on our website: www.charitybank.org

Strategic Report (continued)

Key person dependencies

While its exposure is mitigated by Charity Bank's business model, the identification of staff with its mission, its supportive internal culture, and a strengthened focus of management on communication and transparency in staff relations, this risk will continue to be a challenge for a bank of its size. Hence Charity Bank draws on approved contract staff and volunteers as well as specialist advice from external parties to supplement its own resources from time to time; it can and does recruit new staff from the wider financial services industry and can benefit from the appeal of its mission in doing so.

Approved by the Board of Directors on 12th April 2017 and signed on its behalf.

George Blunden
Chairman
The Charity Bank Limited
182 High Street
Tonbridge
Kent TN9 1BE

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

Directors' Report

Introduction

Charity Bank is authorised by the Prudential Regulation Authority ("PRA") as a deposit-taking institution under the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012), and is regulated by the Financial Conduct Authority ("FCA") and the PRA. It was established in 2002 with a mission to lend to charities, community organisations and social enterprises, and in particular to those that find it difficult to secure funding from the traditional banking sector, with the support of investors and depositors who want to encourage more responsible and transparent use of their money.

Charity Bank uses financial leverage to create social leverage in the community. Since 2002, Charity Bank's innovative approach to lending and its mission to benefit society have enabled it to approve over £250 million worth of loans to more than 1,000 social sector organisations across the UK. It has well-established processes and controls over both the advancing of loans and the taking of deposits developed by its executive management team under the strategic direction of its board of Directors (the "Board").

Charity Bank has experienced a low rate of loss on its loans since its foundation.

Given the stresses being faced by the social sector, Charity Bank continues to exercise close vigilance over the quality of exposures within its existing portfolio.

The Board believes that the combination of the increased demand on social sector services and reduction in public funding will create a sustainable pipeline of loan demand for Charity Bank from enterprises throughout the UK. The Board is confident that Charity Bank is well-placed to respond to this demand, given its track-record of innovation, its public reputation, and its growing strength as an institution.

The Report and Accounts for the year ended 31st December 2016 have been prepared in accordance with statutory requirements and Charity Bank's Articles of Association and comply with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Share capital, reserves and dividends

As at the Balance Sheet date, Charity Bank had issued 18,306,794 ordinary shares, though it also has the option of issuing additional ordinary shares and "B" and "C" preference shares all of £0.50 each.

Although the Articles of Association permit payment of a dividend to shareholders at the discretion of the Board of Directors, no dividend has been declared (2015: £nil).

Substantial shareholdings

As at 31st December 2016 Charity Bank was aware of the following substantial holdings in its ordinary share capital:

Name	Ordinary shares	Percentage of issued ordinary share capital
The Big Society Capital Limited	9,934,783	54.27%
CAF Nominees Ltd - beneficial owner Charities Aid Foundation	4,000,001	21.85%

Directors' Report (continued)

Directors

The names of the Directors who served during the year and at the date of this report are as follows:

Board of Directors		
Name of Director	**Chair and Senior Independent Director positions held**	**No. of meetings attended during 2016 - a maximum of 8**
George Blunden	Chairman of the Governance Committee from 29.06.16 to 31.12.16; Chairman of the Board	8/8
Clive Bowles*	Chairman of the Assets and Liabilities Committee to 31.12.16	8/8
Robin Budenberg	Senior Independent Director from 30.06.16; Chairman of the Governance Committee from 01.01.17	7/8
Michael Crabb (from 01.01.17)	Chairman of the new Credit Sub-Committee from 01.01.17	1/1 (observer)
Patrick Crawford	Executive Director	8/8
Malcolm Elliott	Executive Director	8/8
David Godfrey	Chairman of the Credit Committee to 31.12.16; Chairman of the new Risk Committee from 01.01.17	5/8
Alan Graham*	Chairman of the Audit, Risk and Compliance Committee to 31.12.16	7/8
Sara Llewellin	-	7/8
John Low	CAF-connected non-executive Director	8/8
Stephen Morrison (to 01.12.16)	BSC-connected non-executive Director	2/7
Martin Mosley (to 29.06.16)	Chairman of the Governance Committee and Senior Independent Director to 29.06.16	3/4
Mary O'Connor	-	8/8
Kate Sayer	Chair of the Audit Committee from 01.01.17	4/8
Anna Shiel	BSC-connected non-executive Director	8/8
Chris Vermont*	-	6/8
Toby Walter (from 01.12.16)	BSC-connected non-executive Director	1/1
Karl Wilding*	-	6/8

*These four Non-Executive Directors resigned on 31st December 2016, in accordance with the requirement of Article 93.1 to reduce the size of the Board to a maximum of 12 Directors.

A connected Director is defined in our Articles of Association as a Director nominated to the Board of Directors by a shareholder.

Two shareholders are entitled to nominate Non-Executive Directors ("connected Directors") for appointment to the Board under the agreements Charity Bank entered into in relation to the making of the investment by Big Society Capital in its ordinary shares. On 1st December 2016 Toby Walter was appointed, in replacement of Stephen Morrison, as a BSC connected Director.

Directors' Report (continued)

Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and applicable law. Under company law, the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of Charity Bank and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare financial statements on a "going concern" basis unless it is inappropriate to presume that the company will continue in business.

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

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

Going concern

Charity Bank has sufficient resources to continue its operations for the foreseeable future. It plans to grow its business significantly in the coming years in order to respond to the need for finance in the social sector. On 28th March 2014, Charity Bank signed agreements under which Big Society Capital subscribed £4.5 million in ordinary shares. It has subsequently invested a further £5 million in 2016 and Charity Bank is in discussion with Big Society Capital on the basis on which it would be willing to invest up to a further £5 million in 2017. The Directors believe that Charity Bank is taking the right steps to manage its business risks successfully.

Charity Bank has, therefore, adopted the going concern basis for preparing its financial statements. In reaching this conclusion the Directors have prepared and considered the detailed profit & loss, balance sheet and cash flow forecasts for a four-year period and the underlying assumptions have been scrutinised. Sensitivities to critical assumptions have been assessed. The Directors have taken into account the size of the social sector finance market, its strength, Charity Bank's market share, and the economic, political and other factors which may cause the market to change. The Directors have also considered operational risks and contingent liabilities and other financial risks.

Internal control

The Board manages the risks to which Charity Bank is exposed through a system of internal controls that has the following main elements:

- the setting of policies by the Board for the key activities of the bank and its management of risks, and the review and oversight by the Board of the practices of the executive management team in applying them;
- the delegation of authority by the Board to its Committees and to the Chief Executive;
- an internal organisational structure characterised by functional separation of activities and decision-making;
- executive decision-making through the Executive Committee chaired by the Chief Executive, the Internal Credit Committee chaired by the Head of Credit, and the Assets and Liabilities Committee chaired by the Finance Director;
- the appointment of staff who have the requisite skills, experience and integrity; who are supported by the provision of access to training where necessary, well-designed IT systems and process manuals, and a sound system of performance management; and who are overseen by competent senior staff;
- the issue of operations manuals which set out all key procedures and approval authorities, including a credit risk policy and lending manual which prescribes the procedures for making loans;
- the allocation of responsibility for compliance with applicable laws and regulations to designated individuals and in accordance with the requirements of the FCA and the PRA;
- disaster recovery and business interruption plans and arrangements and daily back-up of data from the bank's accounting and other systems;
- the regular and timely provision of management information to the Executive Committee and to the Board in a form that is consistent with good practice in the finance industry; and
- the issue of staff policies and procedures.

Charity Bank uses a "three lines of defence" model as a key principle of its management of risk:

- managers within the business have primary "first line" responsibility for the day to day management of risk;
- a "second line of defence" is provided by the Risk function, overseen by the Deputy Chief Executive as Chief Risk Officer, and the Compliance function, overseen by the Compliance Manager and MLRO: where appropriate, line management and staff expertise are used to monitor and assess risk; and
- the "third line of defence" is provided by the Internal Audit function, which has responsibility for providing independent assurance over the risk management and business processes.

The Board and its Committees, and the management team and its committees, provide oversight and challenge across all three lines of defence.

Directors' Report (continued)

Risk management policy

Charity Bank considers risk under three broad categories:

- Strategic risk: the risks arising from either the external environment serving to prevent the bank realising its strategy, or internally from a poor choice or execution of strategy.
- Financial risk: the credit and liquidity risks the bank takes in its activities or transactions to drive the bank's financial performance.
- Operational risk: the risk of loss from inadequate internal processes and failures in relation to the people or systems or from external events, including legal and documentation risk.

The Risk Management Policy (the policy) provides a framework for ensuring that risks that could have a significant adverse impact on the ability of Charity Bank to meet its objectives are identified, measured, quantified where possible, monitored, managed and reported.

The policy sets out Charity Bank's risk management system which incorporates:

- a risk management strategy;
- risk policies;
- risk appetite framework;
- risk measurement and quantification;
- risk processes which enable it to identify, assess, manage, monitor and report the risks it is or might be exposed to;
- risk reporting to Board and Committees; and
- roles and responsibilities.

The policy is intended to support appropriate management of risk exposures that is proportionate to the nature, scale and complexity of the risks faced by Charity Bank.

Charity Bank's risk management framework is key to the assessment by the Board of Charity Bank's capital adequacy requirements in its Internal Capital Adequacy Assessment Process (ICAAP) regulatory document, which is prepared in light of its business plans and the risks it faces.

Investment powers, policies and performance

The Directors have delegated the task of advising on investment policy to the Board's Risk Committee.

Charity Bank must maintain a level of liquidity that will enable it to repay maturing deposits and meet drawdowns of loan commitments as they fall due.

Charity Bank has outsourced the management of its surplus liquidity to Royal London Asset Management (RLAM). Investment criteria set by the bank guide the investment of its funds by RLAM; these continue to follow the conservative approach adopted in the past, in terms of eligible counterparties, maturities and products in which surplus funds can be invested.

Charity Bank continues to comply with the regulatory requirement to hold investments in assets which qualify as High Quality Liquid Assets (HQLAs).

Directors' Report (continued)

Investment powers, policies and performance (continued)

A table summarising responsibilities for different aspects of liquidity management is provided below.

SUMMARY OF RESPONSIBILITY FOR OVERSIGHT OF LIQUIDITY MANAGEMENT		
	Policy	**Day-to-day management**
ASSETS		
Liquidity investments	Risk appetite is set by Board and the policies are set by the Risk Committee	Finance Team
Cash at bank		Cash funds management is performed by the Finance Team
Loans receivable		Credit Team
LIABILITIES		
Deposits (under the CITR scheme)	Risk appetite is set by Board and the policies are set by the Risk Committee	Savings Strategy Manager and the Customer Services Team
Deposits (other)		Savings Strategy Manager and the Customer Services Team
LIQUIDITY		
Liquidity management	Risk appetite is set by Board and the policies are set by the Risk Committee	Finance Team

Public disclosure

Details of Charity Bank's Public Disclosure (Pillar 3) can be obtained from its registered office or viewed on the web site https://charitybank.org/

Directors' indemnity

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

Equal opportunity and diversity

Charity Bank is committed to ensuring that all employees, job applicants and workers are treated fairly in an environment which is free from any form of discrimination with regard to all nine of the protected characteristics as outlined by the Equality Act 2010: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (includes colour, nationality and ethnic origins), religion and or belief, sex and sexual orientation.

The bank aims to ensure equality of opportunity to all and to provide employees with the opportunity to develop and realise their full potential. The bank values diversity and is committed to eliminating unlawful and unfair discrimination. Appointment will always be on merit, within relevant legislative and statutory obligations.

Political and charitable donations

Charity Bank made no political donations this year (2015 – £nil). Charitable donations of £110 were made (2015 - £1,820).

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2016

Directors' Report (continued)

Disclosure of information to auditor

As far as each of the Directors is aware, at the date when this report was approved:

- there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- each of the Directors has taken all the steps they ought to have taken as a Director to become aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 12th April 2017 and signed on its behalf.

George Blunden
Chairman
182 High Street,
Tonbridge
Kent TN9 1BE

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARITY BANK LIMITED

We have audited the financial statements of Charity Bank Limited for the year ended 31st December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the statement of Directors' responsibilities in relation to the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CHARITY BANK LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Alastair Morley FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
12th April 2017

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2016

Statement of Comprehensive Income

For the year ended 31st December 2016

	Note	2016 £'000	restated* 2015 £'000
Continuing activities			
Interest income	4	4,582	4,311
Interest expense	4	(1,006)	(802)
Net interest income		**3,576**	**3,509**
Fee income	5	204	137
Loss on available-for-sale financial assets		(185)	(359)
Other operating income		33	38
Net operating income		**3,628**	**3,325**
Grants and donations		59	63
Net total income		**3,687**	**3,388**
Administrative expenses	6	(4,985)	(5,090)
Depreciation and amortisation	14, 15	(149)	(142)
Impairment charge	21	(154)	(92)
Loss on ordinary activities before taxation		**(1,601)**	**(1,936)**
Tax expense	9	-	-
Loss on ordinary activities after taxation		**(1,601)**	**(1,936)**
Other comprehensive (expense)/income:			
Items that may subsequently be transferred to the income statement:			
Available for sale financial assets:			
Fair value movements		230	(73)
Amounts transferred to the income statement		46	3
Total other comprehensive income/(loss)		**276**	**(70)**
Total comprehensive loss for the year		**(1,325)**	**(2,006)**

* - Refer to note 1 on page 27 for an explanation of the restatement.

The notes and information on pages 27 to 58 form part of these financial statements.

All income and expenses are derived from continuing operations.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2016

Balance Sheet

As at			**restated***	**restated***
		31st Dec	**31st Dec**	**1st Dec**
		2016	**2015**	**2015**
	Note	**£'000**	**£'000**	**£'000**
Assets				
Cash and balances at banks	10	4,368	3,603	1,182
Available-for-sale financial assets	11	27,093	32,307	57,973
Loans and advances to customers	12	87,209	68,208	53,984
Prepayments		288	139	150
Other assets	13	1,561	322	263
Property and equipment	14	390	266	126
Intangible fixed assets	15	61	36	51
Total assets		**120,970**	**104,881**	**113,729**
Liabilities				
Customer accounts	16	101,562	89,946	97,168
Deferred income		278	130	171
Other liabilities	17	517	255	260
Accruals		667	528	599
Subordinated debt	18	2,007	2,008	2,511
Total liabilities		**105,031**	**92,867**	**100,709**
Called up share capital	19	9,153	12,622	11,622
Distributable reserve		4,281	(554)	1,382
Share premium		2,283	-	-
Available-for-sale reserve		222	(54)	16
Equity shareholders' funds	20	**15,939**	**12,014**	**13,020**
Total liabilities and shareholders' funds		**120,970**	**104,881**	**113,729**

* - Refer to note 1 on page 27 for an explanation of the restatement.

These financial statements were approved by the Board of Directors and authorised for issue on 12th April 2017. They were signed on their behalf by:

George Blunden – Director   Kate Sayer – Director

The notes and information on pages 27 to 58 form part of these financial statements.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2016

Statement of Changes in Equity

For the year ended 31st December 2016

	Share capital £'000	Distributable reserve £'000	Share premium £'000	Available-for-sale reserve £'000	Total equity £'000
Balance attributable to equity shareholders as at 31st December 2015 *restated	**12,622**	**(554)**	**-**	**(54)**	**12,014**
Loss for the year	-	(1,601)		-	(1,601)
Other comprehensive income:					
- available for sale financial assets fair value movement	-	-		230	230
- available for sale financial assets amounts transferred to income statement	-	-		46	46
Share restructure	(6,436)	6,436			
Capital received	2,967	-	2,283	-	5,250
Balance attributable to equity shareholders as at 31st December 2016	**9,153**	**4,281**	**2,283**	**222**	**15,939**

* - Refer to note 1 on page 27 for an explanation of the restatement.

The notes and information on pages 27 to 58 form part of these financial statements.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2016

Cash Flow Statement

For the year ended 31st December 2016

	Note	2016 £'000	restated* 2015 £'000
Cash flow from operating activities			
Loss before tax		(1,601)	(1,936)
Adjustment to reconcile net loss to cash flow used in operating			
Interest expense		1,006	802
Depreciation of property and equipment		115	102
Depreciation of intangible assets		34	40
Revaluation of available-for-sale assets		276	(70)
Movement in impairment provision		154	92
		(16)	(970)
Net increase in assets relating to operating activities			
Loans and advances to customers		(19,154)	(14,315)
Available-for-sale financial assets		7,498	(565)
Other assets		(1,239)	(59)
Movement in accruals and accrued interest		137	(71)
Movement in prepayments		(149)	11
		(12,907)	(14,999)
Net increase/(decrease) in liabilities relating to operating activities			
Due to customers		11,616	(7,222)
Interest paid		(946)	(707)
Deferred income		148	(41)
Other liabilities		262	(5)
		11,080	(7,975)
Net cash outflow from operating activities		**(1,843)**	**(23,944)**
Cash flow from investing activities			
Acquisition of fixed assets		(299)	(267)
Net cash used in investing activities		(299)	(267)
Cash flow from financing activities			
Proceeds from issue of share capital		5,250	1,000
Repurchase of preference shares		-	-
Redemption of subordinated loan stock		-	(500)
Interest on subordinated loan stock		(60)	(95)
Net cash from financing activities		5,190	405
Net increase/(decrease) in cash and cash equivalents		**3,048**	**(23,806)**
Cash and cash equivalents at the beginning of the year	25	21,306	45,112
Cash and cash equivalents at the end of the year	**25**	**24,354**	**21,306**

* - Refer to note 1 on page 27 for an explanation of the restatement.

The notes and information on pages 27 to 58 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

Income recognition

a) Interest income and expense

Interest income on financial assets and interest expense on financial liabilities are recognised in "interest income" and "interest expense" in the income statement using the "effective interest rate" method.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial instrument. The effective interest rate incorporates fees receivable that are an integral part of the "effective interest rate" of a financial instrument.

All income derives from banking business carried out in the United Kingdom.

b) Fee income

Fees are accounted for depending on the services to which the income relates to as follows:

- fees earned on the execution of a significant act are recognised in "fee income" when the act is completed;
- fees earned in respect of services are recognised in "fee income" as the services are provided; and
- fees which form an integral part of the "effective interest rate" of a financial instrument are recognised as an adjustment to the effective interest rate and recorded in "interest income".

Restatement

In 2016 the treatment of loan non-utilisation fees was changed. Previously non-utilisation fees formed an integral part of the "effective interest rate" of a financial instrument and were recognised as an adjustment to the effective interest rate and recorded in "interest income". This income is no longer being included in the effective interest rate calculation but instead is being recognised in "fee income" when charged. The revised treatment better reflects the fact that non-utilisation fees relate to the undrawn facility and not the drawn loan.

The following table shows the impact of the restatement:

Effect of restatement on statement of comprehensive income

	2016	2015	Restatement	2015 restated
		£'000	£'000	£'000
Fee income	168	46	91	137

1 Accounting policies (continued)

Restatement (continued)

Effect of restatement on balance sheet

	2015	Restatement	2015 restated
	£'000	£'000	£'000
Loans and advances to customers	67,785	423	68,208
Total assets	104,458	423	104,881
Deferred income	166	(36)	130
Total liabilities	92,903	(36)	92,867
Opening distributable reserve	1,014	368	1,382
Closing distributable reserve	(1,013)	459	(554)

As a result of this change, fee income was increased by £91k (2015) and £168k (2016). The impact on interest income in 2015 and 2016 is immaterial and was not adjusted. The impact of the change on the balance sheet was to increase reserves as at 1 January 2015 by £368k and 31 December 2015 by £459k.

c) Donations

Donations are recognised in the period in which funds are received except where the funds received are for a specified period in which case the portion of donations which pertain to the current accounting period is taken to income and the balance amount included in liabilities as unearned income.

Financial instruments

Financial assets and liabilities are recognised in Charity Bank's balance sheet when the bank becomes a party to the contractual provisions of the instrument.

Charity Bank classifies its financial assets into the following categories:

- loans and receivables; and
- available-for-sale investments.

Management determines the classification of financial assets at the time of initial recognition. Reclassification is not made between asset classes.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified upon initial recognition as available-for-sale or at fair value through profit and loss.

Loans and receivables are initially recognised at fair value, including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses.

1 Accounting policies (continued)

Available-for-sale investments

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are recognised on trade date and are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are generally recognised directly in equity until the financial assets are derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit and loss.

Impairment of financial assets held at amortised cost

Charity Bank's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is evidence that events since the loan was granted have affected expected cash flows from the loan. Factors considered when assessing whether a loan is impaired are loans where there has been a material default or covenant breach which is continuing and/or deteriorating (for example, a persistent breach of debt service cover, severe liquidity concerns, insolvency, loss of a significant contract or revenue streams, or significant management/governance issues).

The impairment loss is the difference between the carrying value of the loan and the present value of the estimated future cash flows discounted at the loan's original effective interest rate and proceeds from any security held.

Amounts are finally written-off when any security has been realised and the final exposures, including costs, are known.

The actual amount of the future cash flows and the date they are received may differ from these estimates and consequently actual losses incurred may differ from those recognised in these financial statements.

Charity Bank also makes provision for incurred but not reported ("IBNR") losses. IBNR provisions are maintained to cover loans which are impaired at the balance sheet date, and while not specifically identified, are known to be present in any portfolio of loans. IBNR impairment provisions are only made for incurred losses and are not allowed for losses that are expected to happen as a result of likely future events. The IBNR provision is made for loans which are in one, or more, of the following four categories:

- higher risk accounts which have been flagged in internal watch lists and out of order reports,
- loans where there has been a credit downgrade since the last reporting date,
- loans where more than 50% of the borrower's income is dependent on public funding, or
- unsecured and renewable energy loans.

If, in a subsequent period, the amount of the impairment loss reduces and the reduction can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the loan amount up to the amount of the impairment previously recognised but not more than the amortised cost of the asset. The amount of the reversal is recognised in the income statement.

1 Accounting policies (continued)

Impairment of financial assets held at amortised cost (continued)

In certain cases Charity Bank may use forbearance measures to assist borrowers experiencing significant financial distress. The bank's policy is to work with borrowers and their trustees to seek solutions to their financial problems, and to subscribe fully to the six Treating Customers Fairly outcomes in its approach to recovery management. Experience suggests that borrowers, even those in severe financial difficulties, can often secure grants and other funding to overcome such problems; the accessibility to such funding is unique to the sector. Loan rescheduling may be considered on an exceptional basis if considered appropriate by the Credit Sub-Committee or Internal Credit Committee. Any forbearance measures agreed are assessed on a case by case basis.

Impairment of financial assets available-for-sale

Charity Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or proportioned decline in the fair value of the investment below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss which is removed from the balance sheet and recognised in the income statement. If, in the subsequent period, the fair value of the investment classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised as profit or loss, the impairment loss is reversed through the income statement.

Financial liabilities

Charity Bank classifies its financial liabilities as other financial liabilities.

Management determines the classification of financial liabilities at initial recognition.

Other financial liabilities

Other financial liabilities are initially recognised at fair value including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Charity Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of Charity Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of Charity Bank's own equity instruments.

1 Accounting policies (continued)

Fair value

All financial instruments are recognised initially at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price.

Subsequently, the fair values of financial instruments that are quoted in an active market are based on bid price (for assets) and offer price (for liabilities). Where there is no quoted market price in an active market, fair values are determined using valuation techniques including discounting future cash flows, option pricing models and other methods used by market participants.

Where the fair value cannot be reliably determined for an investment in an equity instrument, the instrument is measured at cost.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis at the following rates to write off the cost of the fixed assets over their estimated useful life as follows:

Leasehold improvement	10 years (or lease period if shorter)
Premises fittings	5 years
Office equipment/furniture	3 years

At each balance sheet date, property and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of the asset's net selling price and its value in use. Net selling price is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the assets continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

Intangible assets

Intangible assets are stated at cost less amortisation and provisions for impairment. The assets are primarily computer software and amortised on a straight-line basis over their estimated useful life which has been calculated as three years, in a manner that reflects the pattern to which they contribute to future cash flows.

1 Accounting policies (continued)

Leases

A lease is classified as a finance lease when the risks and rewards of ownership are substantially transferred to the lessee. All other leases are classified as operating leases (and operating lease rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term).

Leases held by Charity Bank are all classified as operating leases.

Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Charity Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pension costs

Charity Bank makes contributions to the Pensions Trust in respect of defined contribution personal pension arrangements. One of the plans offered by the Pensions Trust, the Growth Fund, offers guarantees, however, to its members as to capital and pensions. As a participating employer, Charity Bank may be liable to fund any shortfalls in the scheme if it decides to withdraw from the scheme. As advised by the Pensions Trust, at 30th September 2015, Charity Bank's default liability on withdrawal from the scheme amounted to £95,848. This was based on an actuarial valuation of employer's liability. Charity Bank has no plans to withdraw from the scheme and therefore a liability has not been accrued as at the Balance Sheet date.

1 Accounting policies (continued)

Pension costs (continued)

The amount charged in the Comprehensive Income Statement in respect of pension costs is the contribution payable in the year. No provision has been made to account for any potential shortfall in the fund attributable to the Growth Fund. Differences between contributions payable and the year-end contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The amount of contributions upon which the benefits are calculated is 17.00% of basic salary. Charity Bank contributes 11.33% and its employee up to 5.67%.

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks.

Capital instruments

Charity Bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of Charity Bank after the deduction of liabilities. The components of a compound financial instrument issued by Charity Bank are classified and accounted for separately as financial liabilities or equity as appropriate.

2 Basis of preparation

General information

The Charity Bank Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the bank's operations and its principal activities are set out in the Directors' report.

Basis of preparation

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and therefore comply with Article 4 of the EU International Accounting Standards regulation.

Going Concern

Charity Bank's business activities, together with the factors likely to affect its future development, finances, performance and position, are set out in the Joint Statement by the Chairman and Chief Executive, the Strategic Report and the Directors' Report. The financial position of Charity Bank and its cash flow and prospective liquidity position are described in the Strategic and Directors' Reports. Charity Bank's objectives, policies and processes for managing its capital, risk management objectives and its exposures to credit risk and liquidity risk are set out in note 24.

Charity Bank has the resources to enable it to continue its operations for the foreseeable future and plans to raise additional capital to implement its growth plan. The Directors believe that Charity Bank is well placed to manage its business risks successfully within this economic climate. They continue, therefore, to adopt the going concern basis in preparing the annual report and financial statements.

2 Basis of preparation (continued)

Basis of measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are valued at fair value through other comprehensive income.

Use of estimates and judgements

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions regarding the valuation of certain financial instruments, impairment of assets, deferred tax assets, pension obligations, the outcome of litigation, and other matters that affect the financial statements and related disclosures. The company believes that the estimates utilised in preparing the financial statements are reasonable, relevant and reliable. Actual results could differ from these estimates.

Further details of the estimates and judgements made relating to the loan impairment provisions can be found in note 1, sub-section: 'Impairment of financial assets held at amortised cost'.

Future accounting developments

The following are significant new or revised standards and interpretations, and amendments thereto, which have been issued but which have not yet come into effect. Once they do so, Charity Bank will adopt them.

a) IFRS 9 "Financial Instruments" (IFRS 9)

In July 2014, the International Accounting Standards Board ("IASB") issued the final version of IFRS 9 which includes the completion of all phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement" as discussed below.

Phase 1: Classification and measurement of financial assets and financial liabilities. Financial assets are classified on the basis of the business model within which they are held and their contractual cash flow characteristics. The standard also introduces a "fair value through other comprehensive income" measurement category for particular simple debt instruments. The requirements for the classification and measurement of financial liabilities were carried forward unchanged from IAS 39; however, the requirements relating to the fair value option for financial liabilities were changed to address own credit risk and, in particular, the presentation of gains and losses within other comprehensive income.

Phase 2: Impairment methodology. IFRS 9 fundamentally changes the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. It is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting. These requirements align hedge accounting more closely with risk management and establish a more principle-based approach to hedge accounting. Dynamic hedging of open portfolios is being dealt with as a separate project and until such time as that project is complete, entities can choose between applying the hedge accounting requirements of IFRS 9 or to continue to apply the existing hedge accounting requirements in IAS 39. The revised hedge accounting requirements in IFRS 9 are applied prospectively.

2 Basis of preparation (continued)

Future accounting developments (continued)

The effective date of IFRS 9 is 1st January 2018. For annual periods beginning before 1st January 2018, an entity may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss. At the date of publication of these financial statements the standard is awaiting EU endorsement and the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 9 on these financial statements.

b) IFRS 15 "Revenue from Contracts with Customers" (IFRS 15)

In May 2014 the IASB issued IFRS 15. The effective date of IFRS 15 is 1st January 2018. The standard establishes the principles that shall be applied in connection with revenue from contracts with customers including the core principle that the recognition of revenue must depict the transfer of promised goods or services to customers in an amount that reflects the entitlement to consideration in exchange for those goods and services. IFRS 15 applies to all contracts with customers but does not apply to lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges. At the date of publication of these financial statements the standard is awaiting EU endorsement. Whilst it is expected that a significant proportion of the company's revenue will be outside the scope of IFRS 15, the impact of the standard is currently being assessed. It is not yet practicable to quantify the effect of IFRS 15 on these financial statements.

c) IFRS 16 "Leases" (IFRS 16)

In January 2016 the IASB issued IFRS 16. The standard is effective for annual periods beginning on or after 1st January 2019. Earlier adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure for both lessees and lessors.

For lessee accounting, IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligation to make lease payments for all leases with a term of more than 12 months, unless the underlying asset is of low value.

For lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements from the existing leasing standard (IAS 17) and a lessor continues to classify its leases as operating leases or finance leases and to account for those two types of leases differently.

At the date of publication of these financial statements the standard is awaiting EU endorsement. The impact of the standard is currently being assessed; however, it is not yet practicable to quantify the effect of IFRS 16 on these financial statements.

d) Other standards

There are a number of other standards which have been issued or amended that are expected to be effective in future periods. However, it is not practicable to provide a reasonable estimate of their effects on Charity Bank's financial statements until a detailed review has been completed.

3 Segmental information

In the opinion of the Directors, Charity Bank carries on one principal class of business, banking, and operates almost entirely within one geographical segment, the United Kingdom. Deposits are drawn from throughout the United Kingdom together with a small amount of funds from abroad. Charity Bank lends in every county and region of the United Kingdom, with a small proportion committed in support of UK non-governmental organisations working internationally.

4 Net Interest Income

		restated
	2016	**2015**
Interest and similar income	**£'000**	**£'000**
Loans and advances to customers	4,014	3,645
Available-for-sale financial assets	568	666
	4,582	**4,311**

		restated
	2016	**2015**
Interest expense and similar charges	**£'000**	**£'000**
Due to customers	946	707
Debt issued	60	95
	1,006	**802**

5 Fee income

		restated
	2016	**2015**
	£'000	**£'000**
Arrangement fees	37	4
Non-utilisation fees	167	133
	204	**137**

6 Administrative expenses

	2016	2015
Average number of employees:		
Retail banking	72	77
	72	**77**

	2016 £'000	restated 2015 £'000
Wages and salaries (including Executive Directors)	2,743	2,500
Social security costs	304	284
Pension costs	200	192
Other staff costs	283	371
Total staff costs	**3,530**	**3,347**
Other administrative expenses	1,455	1,743
	4,985	**5,090**

Total number of employees at 31st December 2016 was 63 and at 31st December 2015 were 78. Full-time equivalents at 31st December 2016 were 49 and at 31st December 2015 were 49. There was a reduction in headcount after a redundancy programme following a review of processes across the business to improve effectiveness and ensure an increase in efficiency and cost control. The total costs in relation to the restructure were £74,156 (2015 - nil).

Employee emoluments

The number of staff whose salary exceeded £60,000 as at 31st December 2016 and at 31st December 2015 were as follows:

	2016 Number	2015 Number
£60,001 - £70,000	5	7
£70,001 - £80,000	1	-
£80,001 - £90,000	2	1
£90,001 - £100,000	2	2
£100,001 - £110,000	1	1
£130,001 - £140,000	1	1
	12	**12**

Employees

The Directors consider the mission of Charity Bank will be best achieved if the staff work together as a team and that the reward structure should reflect this. The current ratio between the highest and lowest paid member of staff is nine times (2015: nine times). Pension contributions were made to The Pensions Trust or other approved pension scheme in respect of the employees and Directors included above.

6 Administrative expenses (continued)

Directors

In 2016 no Non-Executive Directors (2015: four) were reimbursed expenses totalling £nil (2015: £208), relating primarily to travel expenses incurred in attending Board meetings and events arranged by Charity Bank. Emoluments are not paid to Non-Executive Directors.

Directors' remuneration

	2016 £'000	restated 2015 £'000
Directors' emoluments	240	262
Contribution to a defined contribution pension scheme	11	11
	251	**273**

One Executive Director received pension benefits in the year to December 2016 (2015: one).

Some Directors have savings and deposit accounts. These are on the same terms as other customers of the bank.

Key management personnel

	2016 £'000	restated 2015 £'000
Emoluments	597	604
Contribution to a defined contribution pension scheme	34	43
	631	**647**

Key management personnel comprise the Board of Directors and all members of the Executive Committee.

7 Pension costs

Charity Bank operates a defined contribution pension scheme for staff. Charity Bank contributed £200,488 during the year (31st December 2015: £191,850). This amount forms part of total staff costs recorded under administrative expenses.

There were no outstanding or prepaid contributions at the balance sheet date.

8 Loss on activities before taxation

	2016 £'000	restated 2015 £'000
Operating profit is stated after charging:		
Depreciation - property and equipment	115	102
Depreciation - intangible assets	34	40
Auditor's remuneration:		
- audit of annual accounts	50	50
- financial and regulatory assurance	-	-
- tax advisory services	-	12
	50	62
Rental of premises held under operating leases	153	169

From 1st January 2016, tax advisory services were not carried out by the auditor but by another accountancy firm.

9 Taxation

Finance Act 2015 received Royal Assent on 18 November 2015 and enacted a reduction to the UK corporation tax rate to 19% with effect from 1 April 2017 with a further reduction to 18% with effect from 1 April 2020. This overall rate reduction to 18% has had an impact on the deferred tax balance as indicated above.

Finance Act 2015 further introduces a surcharge on all bank and building societies' UK operations from 1 January 2016 onwards. The rate of the surcharge has been established at 8% and is payable alongside mainstream Corporation Tax. As deferred tax is accounted for at marginal tax rates, the surcharge impacts the Company's deferred tax balance and is therefore accounted for within the above.

	2016 £'000	restated 2015 £'000
Current tax:		
Current tax on profits for the year	-	-
Total current tax	**-**	**-**
Tax per income statement	**-**	**-**

9 Taxation (continued)

Factors Affecting Total Tax Charge for the Current Period

The charge for the year can be reconciled to the profit per the income statement as follows:

	2016 £'000	restated 2015 £'000
Loss for the period - continuing activities	(1,601)	(1,936)
Tax on loss at standard UK tax rate of 20.00% (2015: 20.25%)	(320)	(392)
Effects of:		
Expenses not deductible	3	33
Amounts not recognised	47	(24)
Losses not recognised	320	397
Asset for sale adjustments	(50)	(14)
Tax charge for the period	**-**	**-**

Unrecognised deferred tax

	2016 £'000	restated 2015 £'000
Carried forward tax losses	908	663
Accelerated Capital Allowances	49	32
IFRS change in basis adjustment	160	191
Available for sale investments	39	(9)
General provisions	90	99
	1,246	**976**
Deferred tax rate	17%	18%

10 Cash and balances at banks

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Cash	1,768	3,603
Short term balances with other banks	2,600	-
	4,368	**3,603**

11 Available-for-sale financial assets

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Money Market Funds	19,986	17,703
UK Treasury Stock	3,608	11,604
European Investment Bank ("EIB") floating rate note	3,499	3,000
	27,093	**32,307**
Maturity:		
- less than three months	22,488	32,307
- one year or less but over three months	3,608	-
- between one year and five years	997	-
	27,093	**32,307**

The UK Treasury stock and EIB floating rate note are held to meet regulatory liquidity requirements. Charity Bank assesses at each balance sheet date whether there is objective evidence of impairment.

12 Loans and advances to customers

	Performing loans 31st Dec 2016 £'000	Impaired loans 31st Dec 2016 £'000	Total 31st Dec 2016 £'000	Performing loans Restated 31st Dec 2015 £'000	Impaired loans Restated 31st Dec 2015 £'000	Total Restated 31st Dec 2015 £'000
Remaining maturity:						
- three months or less excluding on demand or at short notice	414	-	414	438	-	438
- one year or less but over three months	512	-	512	243	-	243
- five years or less but over one year	4,321	167	4,488	2,169	-	2,169
- over five years	82,163	463	82,626	65,929	106	66,035
	87,410	**630**	**88,040**	**68,779**	**106**	**68,885**
Less allowance for collective impairment	(622)	-	(622)	(643)	-	(643)
Less allowance for specific impairment	-	(209)	(209)	-	(34)	(34)
	86,788	**421**	**87,209**	**68,136**	**72**	**68,208**

12 Loans and advances to customers (continued)

As at 31st December 2016, Charity Bank had advanced £87.2m variable rate loans (31st December 2015: £68.5m) and £0.8m fixed rate loans (31st December 2015: £0.4m) to customers. £22k was granted as staff loans (31st December 2015: £45k).

Loans and advances to customers are categorised as loans and receivables in accordance with IAS 39.

Total impaired loans and advances to customers was £630k (31st December 2015: £106k) of which an allowance for specific impairment of £208k (31st December 2015: £34k) was made.

13 Other assets

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Bank placements	1,235	-
Fees receivable	177	98
Interest receivable	28	107
Sundry debtors	121	117
	1,561	**322**

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Analysis of sundry debtors		
Sundry debtors	207	208
Provision	(86)	(91)
	121	**117**

Within sundry debtors, after provisions, an amount of £71k (31st December 2015: £66k) is due in relation to a company voluntary arrangement which became effective on 29th July 2013 and is due to be repaid to Charity Bank on 1st April 2018.

14 Property and equipment

	Equipment £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1st January 2016	337	205	542
Additions	112	128	240
Disposals	(22)	-	(22)
At 31st December 2016	**427**	**333**	**760**
Accumulated depreciation			
At 1st January 2016	238	38	276
Charged in year	49	66	115
Released for disposals	(21)	-	(21)
At 31st December 2016	**266**	**104**	**370**
Net book value			
At 31st December 2016	**161**	**229**	**390**
At 31st December 2015 restated	**99**	**167**	**266**

15 Intangible fixed assets

	Computer software £'000
Cost	
At 1st January 2016	326
Additions	59
At 31st December 2016	**385**
Accumulated depreciation	
At 1st January 2016	290
Charged in year	34
At 31st December 2016	**324**
Net book value	
At 31st December 2016	**61**
At 31st December 2015 restated	**36**

16 Customer accounts

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
With agreed maturity dates or periods of notice by remaining maturity:		
- three months or less but not repayable on demand	45,744	41,564
- one year or less, but over three months	32,598	27,597
- more than one year but less than five years	23,217	20,783
- more than five years	3	2
	101,562	**89,946**

17 Other liabilities

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Social security and other taxes	81	10
Cash collateral	425	233
Other payables	11	12
	517	**255**

Cash collateral held is in the form of deposits received from loan borrowers.

18 Subordinated debt

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Subordinated debt		
Principal	2,000	2,000
Accrued Interest	7	8
	2,007	**2,008**

In the event of Charity Bank's liquidation before the loans mature, the repayment of capital and outstanding interest will rank behind ordinary creditors. Charity Bank is entitled to include these loans as eligible capital for capital adequacy calculations, as long as the remaining maturity on the loans exceeds five years, after which the amount of eligible capital is calculated on a sliding scale based on the remaining maturity of the loan notes.

19 Called-up share capital

	No. of shares	31st Dec 2016 £'000	No. of shares	restated 31st Dec 2015 £'000
Authorised, issued, allotted and fully paid				
Ordinary shares of £0.50 each	18,306,794	9,153		
Ordinary shares of £1 each			12,622,011	12,622
	18,306,794	**9,153**	**12,622,011**	**12,622**

During 2016 the ordinary shares of £1 each were converted into ordinary shares of £0.50 each.

No dividend has been declared (2015: £nil).

All of the issued ordinary shares are equity shares.

Ordinary shares carry one vote each. Upon a winding-up ordinary shareholders will only be paid after repayment of capital to non-cumulative preference shareholders.

On 4th January 2016 an investment of £0.25m was received from Barrow Cadbury Trust for 250,000 ordinary shares of £1 each.

On 3rd October 2016 the share capital of £12,872,011 (divided into 12,872,011 ordinary shares of £1.00 each) was reduced to £6,436,005.50 by cancelling paid-up capital to the extent of £0.50 upon each of the 12,872,011 issued ordinary shares of £1.00 each; and reducing the nominal amount of each of the said issued ordinary shares to £0.50. The reduction of share capital of £6,436,005.50 was released to distributable reserves (see note 20). This change was made to facilitate further investment by Big Society Capital.

On 4th October 2016 an investment of £5.0m was received from Big Society Capital for 5,434,783 shares of £0.50 each. As a result £2,282,609 was transferred into a share premium account.

20 Reconciliation of movements in shareholders' fund and reserves

	At 1st January 2016 £'000	Share restructure £'000	Incoming resources £'000	Loss for the year £'000	Revaluation of available-for-sale financial assets £'000	At 31st December 2016 £'000
Called up share capital						
Fully paid ordinary shares	12,622	(6,436)	2,967			9,153
Distributable reserve						
Capital contribution	8,042	6,436				14,478
Accumulated loss	(8,596)			(1,601)		(10,197)
Total unrestricted equity shareholders' funds	**12,068**	**-**	**2,967**	**(1,601)**	**-**	**13,434**
Share premium			2,283			2,283
Available-for-sale reserve	(54)	-	-	-	276	222
Total equity shareholders' funds	**12,014**	-	**5,250**	**(1,601)**	**276**	**15,939**

21 Financial instrument impairment

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Opening balance	677	585
Charge to income statement	154	92
Closing balance	**831**	**677**

Charity Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired.

The total impairment amount includes £622k (31st December 2015: £643k) of an incurred but not reported provision made in respect of the performing asset portfolio.

In 2016 no bad debts were written off (2015: £nil).

22 Contingent liabilities and commitments

a) Legal issues

At 31st December 2016, there were no pending legal cases or issues in progress which might have a material impact on the financial statements of Charity Bank (2015: none).

b) Operating lease commitments

At 31st December 2016 Charity Bank had one operating lease (2015 – one).

A ten-year lease for a new head office was signed on 2nd February 2015. At 31st December 2016 Charity Bank was committed to making the following future annual payments in respect of operating leases for land and buildings:

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Within one year	127	127
Between one and five years	509	509
More than five years	392	519
	1,028	**1,155**

The lease expense for 2016 was £153k (2015: £169k).

Off-balance sheet liabilities

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Loan commitments		
Undrawn irrevocable loan commitments	37,158	17,189

Commitments comprise amounts yet to be drawn under loan agreements issued with borrowing customers or where formalities, for example, completion of security arrangements, have yet to be finalised.

23 Related party transactions

Directors and key management personnel emoluments are disclosed in note 6. There are no other related party transactions.

24 Financial Risk Management

Interest rate risks

Charity Bank reduces its exposure to interest rate risk by maintaining a clear positive differential between interest paid on deposits and interest charged on loans made. It reserves the right to adjust rates to borrowers as well as depositors to preserve the differential. The following tables show the assets and liabilities interest rate sensitivity profiles.

As at 31st December 2016	Next day £'000	Up to 3 months £'000	3 - 6 months £'000	6 months to 1 year £'000	1 - 5 years £'000	Over 5 years £'000	No specific repricing £'000	Total £'000
Assets								
Cash and balances at banks	-	4,368	-	-	-	-	-	4,368
Available for sale financial assets	-	22,488	997	3,608	-	-	-	27,093
Loans and advances to customers	-	86,395	-	-	814	-	-	87,209
Prepayments and other assets	-	-	-	1,183	-	-	666	1,849
Property and equipment	-	-	-	-	-	-	390	390
Intangible fixed assets	-	-	-	-	-	-	61	61
	-	113,251	997	4,791	814	-	1,117	120,970

As at 31st December 2016	Next day £'000	Up to 3 months £'000	3 - 6 months £'000	6 months to 1 year £'000	1 - 5 years £'000	Over 5 years £'000	No specific repricing £'000	Total £'000
Liabilities								
Customer accounts		68,888	5,980	14,367	12,174	-	153	101,562
Accruals and deferred income	-	-	-	-	-	-	945	945
Other liabilities	-	-	-	-	-	-	517	517
Subordinated debt	-	-	-	500	-	1,000	507	2,007
Shareholders funds	-	-	-	-	-	-	15,939	15,939
	-	68,888	5,980	14,867	12,174	1,000	18,061	120,970
Interest rate sensitivity gap	-	44,363	(4,983)	(10,076)	(11,360)	(1,000)	(16,944)	

24 Financial Risk Management (continued)

Interest rate risks (continued)

As at 31st December 2015 restated	Next day £'000	Up to 3 months £'000	3 - 6 months £'000	6 months to 1 year £'000	1 - 5 years £'000	Over 5 years £'000	No specific repricing £'000	Total £'000
Assets								
Cash and balances at banks	3,603	-	-	-	-	-	-	3,603
Available for sale financial assets	-	32,223	-	-	-	-	84	32,307
Loans and advances to customers	-	68,208	-	-	-	-	-	68,208
Prepayments and other assets	-	-	-	-	-	-	461	461
Property and equipment	-	-	-	-	-		266	266
Intangible fixed assets	-	-	-	-	-	-	36	36
	3,603	**100,431**	**-**	**-**	**-**	**-**	**847**	**104,881**

As at 31st December 2015 restated	Next day £'000	Up to 3 months £'000	3 - 6 months £'000	6 months to 1 year £'000	1 - 5 years £'000	Over 5 years £'000	No specific repricing £'000	Total £'000
Liabilities								
Customer accounts	-	41,479	9,520	18,077	20,783	2	85	89,946
Accruals and deferred income	-	-	-	-	-	-	658	658
Other liabilities	-	-	-	-	-	-	255	255
Subordinated debt	-	-	-	-	502	1,000	506	2,008
Shareholders funds	-	-	-	-	-	-	12,014	12,014
	-	41,479	9,520	18,077	21,285	1,002	13,518	104,881
Interest rate sensitivity gap	3,603	58,952	(9,520)	(18,077)	(21,285)	(1,002)	(12,671)	

Charity Bank has the option to change the interest rate on its managed loans by giving 90 days' notice to its borrowing customers.

For loans and advances, if Base Rate were to fall from 0.50% to zero, the main group of loans that would be impacted are the variable rate loans. The impact would be a reduction in our interest received income of £280k p.a. (2015: £340k). There would be no impact to the income stream from our fixed loans.

For Charity Bank's customer accounts, if there were any increase in Base Rate, management would review our rates and take appropriate action. For every 0.5% increase in Base Rate, the interest paid would increase by £211k based on the customer accounts open as at 31st December 2016 (2015: £216k).

For Charity Bank's available-for-sale financial assets, for every 1% decrease in the interest rates paid by instruments in the fixed bond and Gilt markets, the maximum impact would be that interest income received would reduce by £271k (2015: £324k).

24 Financial Risk Management (continued)

Credit risk

Charity Bank is exposed to credit risk, which is the risk that counterparties will not be able to meet their obligations as they fall due. Charity Bank is exposed to both retail credit risk, through loans and advances to customers, and wholesale credit risk, from treasury operations.

Charity Bank uses collateral to mitigate against credit risk. Within loans and advances to customers non-cash collateral is in the form of residential and commercial property. Collateral is professionally valued on origination of the loan unless the LTV is less than 33.3% or other exceptional reasons, in which case an informal valuation is accepted. The collateral is reviewed annually using BOE indices and in certain circumstances is professionally revalued triennially or as needed in accordance with the Credit Policy.

Some cash collateral is held by Charity Bank against a small proportion of its drawn loans. For 2016 this equated to 0.5% of the total loans and advances to customers (2015: 0.3%)

The main credit risk sensitivities on loans and advances for Charity Bank are as follows:

- probability of default: a downgrade of one level in credit grading across all borrowers would result in an increase in the IBNR impairment provision of £736k
- loss given default: a decrease in the value of security of 5% across all loans would result in an increase in the IBNR impairment provision of £83k

All loan applications are assessed with reference to Charity Bank's lending policy, including the use of a credit grading model. Wherever possible, Charity Bank obtains security in the form of a charge on sufficient assets of the borrower to cover the full value of the loan. In most cases, the secured assets are freehold or long-term leasehold property. Credit risk is also managed through continuous engagement with borrowers. Charity Bank maintains an "Incurred but not reported" loan loss provision for unidentified credit risks as well as specific provisions against loans where it is doubtful of recovering the full amount outstanding. Changes to the policy are approved by the Board, and the approval of loan applications within specified limits is delegated to the credit committees. There have been no material changes in policies, procedures, risk appetite and objectives relating to credit risk during the year.

Money market investments are principally in the form of units in the Royal London Asset Management Cash Plus Fund (which invests in cash, deposits, money market instruments and short-dated government securities) and units in the Royal London Asset Management Investment Grade Short Dated Credit Fund (longer tenor investment grade bonds). UK Government stock and other approved investments are held for managing Charity Bank's High Quality Liquid Assets (HQLAs).

For the available-for-sale financial assets, any credit risk would be negated at an early point by exiting the appropriate market.

Money market investments can be with a range of counterparties approved by ALCO under a framework approved by the Risk Committee. Each counterparty has a credit limit which is fixed in relation to its credit rating as assessed by reputable rating agencies and tempered by management knowledge and soundings. Charity Bank follows a low risk policy in relation to its treasury activities and only places funds with counterparties with acceptable credit ratings.

24 Financial risk management (continued)

Age analysis of past due but not impaired assets

The table below shows the age analysis of past due but not impaired risk assets.

Past due but not impaired

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Neither past due or impaired	87,135	68,779
Past due		
Within three months	275	-
Between three to six months	-	-
Over six months but less than one year	-	-
Over one year	-	-
Total past due	275	-
Impaired	630	106
	88,040	**68,885**

Charity Bank held security that fully covered the past due but not impaired values.

Security against past due but not impaired

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Neither past due or impaired	274,297	252,284
Past due		
Within three months	540	-
Between three to six months	-	-
Over six months but less than one year	-	-
Over one year	-	-
Total past due	540	-
Impaired	1,081	-
	275,918	**252,284**

Analysis of impaired loans and advances to customers

Refer to note 12 for a detailed analysis of impairments.

24 Financial risk management (continued)

Credit exposure by sector

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Banks	5,603	3,603
Corporates	23,485	20,707
Government	3,608	11,601
Loans and advances to customers	87,209	68,208
Other	1,065	762
	120,970	**104,881**

The above sector analysis includes cash and balances at banks, available-for-sale financial assets and loans and receivables.

A sizeable percentage, 33% (31st December 2015: 33%) of Charity Bank's total financial assets was to high quality financial institutions, the majority of which had ratings of between A- and AA+.

Liquidity risk

Charity Bank is exposed to liquidity risk. The liquidity policy approved by the Board on the recommendation of its Assets and Liabilities Committee details Charity Bank's approach to mitigating this risk. The policy is reviewed quarterly by the Assets and Liabilities Committee and at least annually by the Board. There have been no material changes in policies, procedures and objectives during the year.

The liquidity policy requires that sufficient high quality liquid assets are held in a form and at a level which reflects prudent banking practice and regulatory criteria to meet fully and promptly all deposits and liabilities as they mature under normal and abnormal circumstances. In particular, the levels of highly liquid assets in approved investments are currently higher than the minimum levels needed by prudential regulation. The risk of not being able to meet all deposits and liabilities is small in the opinion of the Directors given the current levels of this surplus. The day-to-day management of Charity Bank's liquid assets has been outsourced to Royal London Asset Management.

Currency profile

As at the year end, Charity Bank was not exposed to foreign exchange risk.

Instruments held for trading

None of Charity Bank's financial instruments are held for trading purposes and no trading book is held.

Hedging

Financial instruments are not held for hedging purposes.

24 Financial risk management (continued)

Market price risk

Charity Bank is exposed to market price risk. Charity Bank's investment portfolio consists of two distinct parts. The first part consists of investments in approved securities, principally high quality securities issued by the government or central Banks of an European Economic Area member state, Canada, Australia, Japan, Switzerland or the United States of America, or securities issued by multilateral development banks. These investments represent Charity Bank's policy to invest its High Quality Liquid Assets (HQLAs) in accordance with regulatory requirements. The balance of the funds, representing surplus liquidity, are invested mainly in money market funds which invest in Certificates of Deposit ("CDs") issued by highly rated UK and non-UK credit institutions.

The investments are subject to price fluctuations and therefore Charity Bank is exposed to loss on these investments. Investments representing surplus liquidity are less prone to price fluctuations, though prices do tend to move in response to interest rate expectations in the market. Surplus liquidity is invested to enable Charity Bank to take advantage of favourable conditions in the market. At 31st December 2016, the value of the investment portfolio was the market value.

The sensitivity to market risk can be mitigated by a prompt exit from the market by Charity Bank. For every 1% fall in market prices, the value of Charity Bank's available-for-sale assets would fall by £271k (2015: £324k). These losses would only become realised at the point that the investment positions were sold. Until that time, they would remain unrealised and would be shown in the other comprehensive income section of the Statement of Comprehensive Income.

Categories of financial instruments

The table below represents Charity Bank assets and liabilities carrying amounts, classified by the categories as defined in IAS 39.

	31 Dec 2016 £'000	restated 31 Dec 2015 £'000
Financial assets		
Cash and balances at banks	4,368	3,603
Available-for-sale financial assets	27,093	32,307
Loans and advances to customers	87,209	68,208
Other assets	1,561	322
	120,231	**104,440**
Financial liabilities		
Customer accounts	101,562	89,946
Other liabilities	436	244
Accruals	466	474
Subordinated debt	2,007	2,008
	104,471	**92,672**

24 Financial risk management (continued)

Fair values of financial instruments

Set out below is a year-end comparison of carrying values and fair values of all the Charity Bank's financial instruments by category. The fair values are determined as stated below.

	Carrying value 31st Dec 2016 £'000	Carrying value restated 31st Dec 2015 £'000	Fair value 31st Dec 2016 £'000	Fair value restated 31st Dec 2015 £'000
Financial assets				
Cash and balances at banks	4,368	3,603	4,368	3,603
Available-for-sale financial assets	27,093	32,307	27,093	32,307
Loans and advances to customers	87,209	68,208	86,117	67,268
Other assets	1,561	322	1,561	322
	120,231	**104,440**	**119,139**	**103,500**
Financial liabilities				
Customer accounts	101,562	89,946	101,562	89,946
Other liabilities	436	244	436	244
Accruals	466	474	466	474
Subordinated debt	2,007	2,008	2,007	2,008
	104,471	**92,672**	**104,471**	**92,672**

Basis of determination of fair values

Cash and balances at banks: these consist of cash held in hand and balances held with other banks. The carrying amount of the cash balances is deemed to be a reasonable representation of the fair value.

Available-for-sale financial assets: these comprise mainly marketable debt securities. The basis of estimating the fair value of these assets is by ascertaining the market value as at the balance sheet date. The carrying value represents the fair value of the asset as at the balance sheet date as there is a definite market available for these assets.

Loans and advances to customers: these comprise loans and other facilities granted to non-bank customers. The fair value shown assumes a discount of 3% when selling loans over a six-month period.

Customer accounts: these comprise deposits made with Charity Bank by all depositors. The basis of fair value is the cash value of the deposit held at Charity Bank.

Subordinated debt: these are long-term debt liabilities; the basis of fair value is the cash value of the subordinated debt currently held by Charity Bank.

24 Financial risk management (continued)

Basis of determination of fair values (continued)

Fair value measurement recognised in the statement of financial position

The following tables provide an analysis of financial instruments for Charity Bank that are measured subsequent to initial recognition at amortised cost and fair value through other comprehensive income. These are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair values of financial instruments

As at 31st December 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Amortised cost				
Loans and advances to customers	-	-	86,117	86,117
Fair value through 'Other comprehensive income'				
Available-for-sale financial assets	27,093	-	-	27,093
	27,093	-	86,117	113,211
Financial liabilities				
Amortised cost				
Deposits by banks	-	-	-	-
Customer accounts	-	101,562	-	101,562
Subordinated liabilities	-	-	2,007	2,007
	-	**101,562**	**2,007**	**103,569**

24 Financial risk management (continued)

Fair values of financial instruments (continued)

As at 31st December 2015 (restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets				
Amortised cost				
Loans and advances to customers	-	-	67,268	67,268
Fair value through 'Other comprehensive income'				
Available-for-sale financial assets	32,307	-	-	32,307
	32,307	-	67,268	99,576
Financial liabilities				
Amortised cost				
Deposits by banks	-	-	-	-
Customer accounts	-	89,946	-	89,946
Subordinated liabilities	-	-	2,008	2,008
	-	**89,946**	**2,008**	**91,954**

Capital risk

Charity Bank met all its regulatory capital requirements throughout the year ended 31st December 2016.

Charity Bank's Capital Resources and capital ratios at the year-end were as follows:

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Tier 1		
Ordinary share capital	9,153	12,622
Distributable reserve	4,281	(554)
Share premium	2,283	
Available-for-sale reserve	222	(54)
Total Common Equity Tier 1 capital (CET1)	**15,939**	**12,014**
Additional Tier 1	-	-
Total Tier 1 capital	**15,939**	**12,014**
Tier 2 capital		
Collective impairment allowance	622	637
Subordinated loan notes	1,566	1,666
Total Tier 2 capital	**2,188**	**2,303**
Total capital resources	**18,127**	**14,317**

24 Financial risk management (continued)

Capital risk (continued)

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Risk weighted assets	74,317	57,154
Leverage exposure	125,602	107,368

CRD IV capital ratios	**%**	**%**
CET1 ratio	21.45	21.02
Leverage ratio	12.69	11.19

During 2016 Charity Bank's capital position strengthened by two investments in our Core Equity Tier 1 ("CET1") capital; £250,000 by the Barrow Cadbury Trust and the second tranche of £5.0 million under the agreement with Big Society Capital. The later investment took place following receipt of all necessary regulatory approvals and a reduction in the nominal value of Charity Bank's ordinary shares from £1.00 to £0.50p per share. This change in nominal value was a technical requirement and has had no impact on the net asset value of Charity Bank's shares. Charity Bank remains controlled by charities, trusts and foundations, with BSC's voting rights capped at below 50%. These injections of capital will support Charity Bank in its mission and its plans for growth over the coming years.

25 Analysis of balances of cash and cash equivalents in the bank cash flow statements

	31st Dec 2016 £'000	restated 31st Dec 2015 £'000
Cash and balances at banks	4,368	3,603
Money market funds and certificates of deposits	19,986	17,703
Cash and cash equivalents at 31st December	**24,354**	**21,306**

26 Post-balance sheet events

There were no post-balance sheet events.

The Charity Bank Limited

ANNUAL REPORT FOR THE YEAR ENDED 31st DECEMBER 2016

Directors, Committees and Advisers

Registered Office
Fosse House, 182 High Street
Tonbridge
Kent TN9 1BE
Tel: 01732 441900
Email: enquiries@charity bank.org
Website: www.charitybank.org

Registered Company No. 4330018
PRA No. 207701

Auditor
Deloitte LLP
Chartered Accountants and
Statutory Auditor
Hill House
1 Little New Street
London EC4A 3TR

Principal Banker
The Royal Bank of Scotland Group plc
Bishopsgate
London EC2M 3AA

Investment Manager
Royal London Asset Management
55 Gracechurch Street
London EC3V 0RL

Company Secretary
Amanda Gibbs (to 20th May 2016)
Jenny Edwards (from 9th June 2016)

Board of Directors
George Blunden (Chair)
Clive Bowles*
Robin Budenberg
Michael Crabb (from 1st January 2017)
Patrick Crawford
Malcolm Elliott
David Godfrey
Alan Graham*
Sara Llewellin
John Low - a connected Director
Stephen Morrison (to 1st December 2016) - a connected Director
Martin Mosley (to 29th June 2016)
Mary O'Connor
Kate Sayer
Anna Shiel - a connected Director
Chris Vermont*
Toby Walter (from 1st December 2016) - a connected Director
Karl Wilding*

Audit, Risk & Compliance Committee (to 31st December 2016)
Alan Graham (Chair)
Mary O'Connor
Kate Sayer

New Audit Committee (from 1st January 2017)
Kate Sayer (Chair)
George Blunden
Mary O'Connor

New Risk Committee (from 1st January 2017)
David Godfrey (Chair)
Michael Crabb
Mary O'Connor
Anna Shiel - a connected Director

Credit Committee (to 31st December 2016 after which this committee became a Sub-Committee of Risk Committee)
David Godfrey (Chair)
Patrick Crawford
Malcolm Elliott
Sara Llewellin
Martin Mosley (to 29th June 2016)
Karl Wilding (to 31st December 2016)

New Credit Sub-Committee (from 1st January 2017)
Michael Crabb (Chair)
Patrick Crawford
Malcolm Elliott
Sara Llewellin

Governance Committee
Martin Mosley (Chair to 29th June 2016)
George Blunden (ongoing member, Chair from 30th June 2016 to 1st January 2017)
Robin Budenberg (Chair from 1st January 2017)
John Low - a connected Director

Assets & Liabilities Committee (to 31st December 2016)
Clive Bowles (Chair)
George Blunden
Patrick Crawford
Anna Shiel - a connected Director

New Assets & Liabilities Committee (from 1st January 2017)
Gillian Howell (Chair)
Patrick Crawford
Malcolm Elliott
Garrick Kelly
Richard Ward

Executive Management Committee
Patrick Crawford (CEO)
Malcolm Elliott (Deputy CEO and Chief Risk Officer)
Gillian Howell (from 1st February 2016)
Mark Howland (to 3rd October 2016)
Peter Kelly
Caspar Mackay
Carolyn Sims
David Tinker (to 28th January 2016)

Internal Credit Committee
Membership is split into two lists and a meeting requires three members, two of which must be from List One and one of which must be the Head of Credit or Senior Credit Manager
List One
Head of Credit (Chair)
Senior Credit Manager
CEO
Deputy CEO
Finance Director
List Two
Banking Director
Business Development Director
Loans Administration Manager
Social Impact Manager

* these four Non-Executive directors resigned on 31st December 2016, in accordance with the requirement of Article 93.1 to reduce the size of the Board to a maximum of 12 Directors.