

Conister Bank Limited

Directors' report and financial statements
For the year ended 31 December 2023

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Directors

John Spellman (57) ≠
Non-executive Chairman
(Appointed: 25.05.22)

Alan Clarke (73) ≠
Non-executive Director

Denham Eke (72)
Non-executive Director

Douglas Grant (59)
Managing Director

Gregory Jones (65) ≠
Non-executive Director

Ian Morley (72) ≠
Non-executive Director

Haseeb Qureshi (35)
Deputy Managing Director

Sam Skelton (60) ≠
Non-executive Director

James Smeed (39)
Finance Director

≠ Independent Non-executive Director

Company Secretary

Lesley Crossley

Registered Office

Clarendon House
Victoria Street
Douglas
Isle of Man IM1 2LN

Advisers

Independent Auditor
KPMG Audit LLC
Heritage Court
41 Athol Street
Douglas
Isle of Man IM1 1LA

Legal Advisers
Long & Co Limited
Eyreton
Quarterbridge Road
Douglas
Isle of Man IM2 3RF

Principal Banker
National Westminster Bank plc
250 Bishopsgate
London EC2M 4AA

Consulting Actuaries
Boal & Co Ltd
Marquis House
Isle of Man Business Park
Douglas
Isle of Man IM2 2QZ

The Directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2023.

Principal activities

The principal activities of Conister Bank Limited ("Bank") and its subsidiaries (together referred to as "Group") are the provision of asset, wholesale and personal finance.

The Bank holds a Class 1 (1) Banking Licence in the IOM and is accordingly regulated by the Financial Services Authority ("FSA") and a UK deposit taking licence with the Prudential Regulatory Authority ("PRA"). Isle of Man deposits made with the Bank are covered by the Isle of Man Depositors' Compensation Scheme contained in the Banking Business (Compensation of Depositors) Regulations 1991. UK deposits are covered by the UK Financial Services Compensation Scheme (FSCS). The Bank also holds permissions with the UK's Financial Conduct Authority ("FCA") pertaining to regulated credit activities, and other specified regulated products and services in the UK.

Results and dividends

The Bank profit before taxation for the year was £2,187,000 (2022: £1,777,000). The Consolidated profit before taxation for the year was £2,493,000 (2022: £2,069,000).

The Directors do not propose the payment of a dividend (2022: £nil). The proposed transfers to and from reserves are as set out in the Consolidated and Bank Statement of Changes in Equity on page 15.

Share capital

Particulars of the authorised and issued share capital of the Bank are set out in note 22 to the financial statements.

Significant shareholdings

All of the issued shares of the Bank are held by Manx Financial Group PLC ("MFG").

Directors

Details of current Directors are set out on page 1.

Directors' liability insurance

The Bank maintains insurance cover for Directors' liability in relation to the Group.

Fixed assets

The movement in fixed assets during the year is set out in note 14 to the financial statements.

Staff

At 31 December 2023 there were 82 members of staff, 9 of whom were part-time (2022: 81 members of staff, 3 of whom were part-time).

Investments in subsidiaries

Investments in the Bank's subsidiaries are disclosed in note 16 to the financial statements.

Going concern

The Group has recognised a profit for the year after taxation of £2,163,000 (2022: £1,793,000). As at the year ended 31 December 2023, the Group had a total capital ratio of 15.90% (2022: 15.10%) which exceeded the regulatory minimum requirement of 15.29% (2022: 14.00%) (see note 4(c)) and had net assets of £41,498,000 (2022: £34,517,000). The Group has also considered its Internal Capital Adequacy Assessment Process (ICAAP) to assess its future capital and liquidity requirements. Based on these factors, management has a reasonable expectation that the Group has and will continue to have adequate resources to continue in operational existence for a period of at least 12 months from approval of the financial statements. Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Bank has recognised a profit for the year after taxation of £1,962,000 (2022: £1,560,000) and had net assets of £38,320,000 (2022: £31,540,000). The Bank has also considered its Internal Capital Adequacy Assessment Process (ICAAP) to assess its future capital and liquidity requirements. Based on these factors, management has a reasonable expectation that the Group has and will continue to have adequate resources to continue in operational existence for a period of at least 12 months from approval of the financial statements. Based on these factors, management has a reasonable expectation that the Group has and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Auditor

KPMG Audit LLC, being eligible, has expressed its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

By order of the Board

Lesley Crossley
Company Secretary
25 March 2024

As an Isle of Man registered Bank there is no requirement to produce a corporate governance report. However, the Board follows best practice and therefore has prepared such a report.

The Bank is licensed by the Isle of Man Financial Services Authority. They have issued guidance designed to assist banks in enhancing their corporate governance frameworks which the Bank follows to the extent which is appropriate to its nature and scale of operations. This report outlines the approach taken by the Bank in respect of corporate governance.

The Role of the Board

The Board is collectively responsible for the long-term success of the organisation. Its principal function is to determine the strategy and policies of the Bank within an effective control framework which enables risk to be assessed and managed. The Board ensures that the necessary financial and human resources are in place for the Bank to meet its objectives and that business and management performances are reviewed. Furthermore, the Board ensures that the Bank operates within its constitution, relevant legislation and regulation and that proper accounting records and effective systems of business control are established, maintained, documented and audited.

MFG Group Audit, Risk and Compliance Committee (“ARCC”)

The ARCC meets at least six times each year and comprises three Non-executive Directors, currently Alan Clarke (Chairman), Greg Jones and John Spellman. The Executive Directors and representatives from compliance and risk, the internal and External Auditor attend by invitation. Its role for the MFG Group (including the Bank) is to be responsible for reviewing the integrity of the financial statements and the balance of information disclosed in the accompanying Directors’ Report, to review the effectiveness of internal controls and risk management systems, to monitor and review the effectiveness of the internal audit function and to consider and recommend to the Board (for approval by the members) the appointment or re-appointment of the External Auditor. The ARCC reviews and monitors the External Auditor’s objectivity, competence, effectiveness and independence, ensuring that if they or their associates are invited to undertake non-audit work it will not compromise auditor objectivity and independence.

The Board has also established the Risk Management Committee (“RMCO”) which reports to the MFG Group Audit, Risk and Compliance Committee (“ARCC”) and is responsible for developing and monitoring the MFG Group risk management policies in their specified areas.

MFG Group Remuneration Committee (“REMCO”)

The REMCO meets at least twice a year and comprises of two Non-executive Directors, currently Alan Clarke (Chairman) and Gregory Jones, with the Executive Directors, Head of Human Resources and external advisers attending by invitation where appropriate. It is responsible, amongst other matters, for determining the remuneration of the Executive Directors, the Company Secretary and other members of the management. Committee members do not take part in discussions concerning their own remuneration. The Chairman and the MFG Group CEO determine Non-executive Director fees.

MFG Group Nomination Committee (“NOMCO”)

The NOMCO is comprised of the whole MFG Board. It is chaired by the Chairman of the MFG Board and is responsible for making recommendations to the MFG Board on matters relating to the composition of the MFG Group Boards, including Executive and Non-executive Director succession planning, the appointment of new Directors and the election and re-election of Directors.

Division of Responsibilities

The offices of Chairman and Managing Director are distinct and held by different people. The role of each is set out in their respective job descriptions. The Chairman is responsible for leading the Board, ensuring its effectiveness in all aspects of its role and promoting a culture of openness of debate. The Managing Director is responsible for managing the Bank’s business and operations within the parameters set by the Board.

The Chairman

The Chairman sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and ensuring constructive relations between Executive and Non-executive Directors. The Chairman also ensures that Directors receive accurate, timely and clear information. The Board of Directors is committed to best practice in corporate governance.

Non-executive Directors

The Non-executive Directors are responsible for bringing independent judgement to the discussions held by the Board, using their breadth of experience and understanding of the business. Their key responsibilities are to constructively challenge and contribute to strategic proposals, and to monitor performance, resources, and standards of conduct, compliance and control, whilst providing support to executive management in developing the Bank.

The Composition of the Board

At the year-end, the Board comprised six Non-executive Directors and three Executive Directors. At least four Non-executive Directors are considered by the Board to be independent in character and judgement and to have an appropriate balance of skills and experience. They are also considered to be free of any relationship or circumstances which could materially interfere with the exercise of their judgement, impede the provision of constructive challenge to management and provide assistance with the development of strategy.

Appointments to the Board

The principal purpose of the NOMCO is to undertake the assessment of the balance of skills, experience, independence and knowledge on the Board against the requirements of the business, with a view to determining whether any shortages exist. Having completed the assessment, the committee makes recommendations to the Board accordingly. Appointments to the Board are made on merit, with due regard to the benefits of diversity. Within this context, the paramount objective is the selection of the best candidate, irrespective of background, and it is the view of the Board that establishing quotas or targets for the diversity of the Board is not appropriate.

All Director appointments must be approved by the Isle of Man Financial Services Authority, as required under the Financial Services Rulebook 2016, before they are appointed to the Board.

Commitment

Prior to appointment, Non-executive Directors are required to demonstrate that they are able to allocate sufficient time to undertake their duties.

Development

All new Directors undergo formal induction with any training or development needs being identified during this process. Directors continue to attend external and internal seminars and presentations to maintain and update their knowledge and skills demonstrating a commitment to continuous professional development.

Information and Support

The Chairman ensures that the Board receives accurate, timely and clear information in a form and of sufficient quality to enable it to fulfil its responsibilities.

All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring compliance with all Board procedures and advising the Board on governance matters.

Evaluation

An internal process exists to evaluate, on an annual basis, the performance and effectiveness of, amongst others, individual Directors and of the Board and its committees.

Financial and Business Reporting

The Board confirms that the Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Bank's business model and strategy. The responsibilities of the Directors in relation to the preparation of the Bank's Financial Statements are set out on page 7.

Risk Management and Internal Control

The Board is responsible for determining a framework for risk management and control. Senior management are responsible for designing, operating and monitoring risk management and internal control processes in line with the risk appetite and tolerance while the ARCC is responsible for reviewing the adequacy and effective operation of these processes. The role of the ARCC is described previously and provides the Board with independent assurance that the Bank is operating specifically in accordance with the risk appetite parameters determined and approved by the Board and to ensure that the outcomes for the Bank's various activities are in line with those parameters.

The system of internal control overall is designed to enable the Bank to achieve its corporate objectives within the Board's pre-determined risk appetite, not to eliminate risk. The internal audit function provides independent and objective assurance that these processes are appropriate and effectively applied.

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards ("UK-adopted IFRS" or "IFRSs") as applicable to an Isle of Man Company.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Bank and of their profit or loss for that period. In preparing each of the Group and Bank 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

Our opinion is unmodified

We have audited the consolidated financial statements of Conister Bank Limited (the "Bank") and its subsidiaries (together, the "Group"), which comprise the Consolidated and Bank Statements of Financial Position as at 31 December 2023, the Consolidated and Bank Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the state of the Group's and of the Bank's affairs as at 31 December 2023 and of the Group's and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1931 to 2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Bank and the Group in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Bank or to cease their operations, and as they have concluded that the Group and the Bank's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group and the Bank's business model and analysed how those risks might affect the Group and the Bank's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Bank's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Bank will continue in operation.

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Group's revenue streams are simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Bank's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Bank and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Bank's financial statements are not in agreement with the books of account 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.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the Bank's member

This report is made solely to the Bank's member, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Bank's member 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 Bank and the Bank's member, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM1 1LA

March 2024

For the year ended 31 December	Note	2023 £000	2022 £000
Interest revenue calculated using the effective interest method	6	33,890	25,273
Other interest income	6	-	33
Interest expense		<u>(15,222)</u>	<u>(6,777)</u>
Net interest income		18,668	18,529
Fee and commission expense		(5,902)	(3,246)
Depreciation on leasing assets	14	<u>-</u>	<u>(16)</u>
Net trading income	27	12,766	15,267
Other operating income		268	305
Realised gain on debt securities	11	<u>1,893</u>	<u>298</u>
Operating income		14,927	15,870
Personnel expenses		(6,676)	(5,813)
Other expenses		(4,527)	(4,074)
Impairment of loans and advances to customers	7	(571)	(3,400)
Depreciation	14	(312)	(187)
Amortisation	15	<u>(348)</u>	<u>(327)</u>
Profit before tax payable	8	2,493	2,069
Income tax expense	9	<u>(330)</u>	<u>(276)</u>
Profit for the year after taxation		<u>2,163</u>	<u>1,793</u>
Other comprehensive income			
Items that will be reclassified to profit or loss			
Unrealised gain on debt securities taken to equity	11	324	131
Related tax		(32)	-
Items that will never be reclassified to profit or loss			
Actuarial gain on defined benefit pension scheme taken to equity	21	29	407
Related tax		(3)	-
Total comprehensive income for the year attributable to owners		<u>2,481</u>	<u>2,331</u>

The notes on pages 18 to 52 form part of these financial statements.

The Directors believe that all results derive from continuing activities.

For the year ended 31 December	Note	2023 £000	2022 £000
Interest revenue calculated using the effective interest method	6	33,890	25,250
Other interest income		-	33
Interest expense		(15,194)	(6,792)
Net interest income		18,696	18,491
Fee and commission expense		(8,791)	(5,250)
Depreciation on leasing assets	14	-	(16)
Net trading income		9,905	13,225
Other operating income		268	305
Realised gain on debt securities	11	1,893	298
Operating income		12,066	13,828
Personnel expenses		(4,633)	(4,368)
Other expenses		(4,176)	(3,822)
Impairment of loans and advances to customers	7	(571)	(3,400)
Depreciation	14	(172)	(158)
Amortisation	15	(327)	(303)
Profit before tax payable	8	2,187	1,777
Income tax expense	9	(225)	(217)
Profit for the year after taxation		1,962	1,560
Other comprehensive income			
Items that will be reclassified to profit or loss			
Unrealised gain on debt securities taken to equity	11	324	131
Related tax		(32)	-
Items that will never be reclassified to profit or loss			
Actuarial gain on defined benefit pension scheme taken to equity	21	29	407
Related tax		(3)	-
Total comprehensive income for the year attributable to owners		2,280	2,098

The notes on pages 18 to 52 form part of these financial statements.

The Directors believe that all results derive from continuing activities.

As at 31 December	Note	2023 £000	2022 £000
Assets			
Cash and cash equivalents	10	8,620	16,227
Debt securities	11	76,129	40,675
Loans and advances to customers	12	360,114	292,144
Trade and other receivables	13	3,163	1,690
Property and equipment	14	1,635	1,607
Intangible assets	15	1,675	884
Amounts due from Group undertakings	16	-	282
Goodwill	17	448	448
Total assets		451,784	353,957
Liabilities			
Deposits from customers	18	390,421	304,199
Amounts due to Group undertakings	16	1,383	2,024
Creditors and accrued charges	19	4,193	5,400
Subordinated loans	20	13,950	7,450
Pension liability	21	162	237
Deferred tax liability	9	177	130
Total liabilities		410,286	319,440
Equity			
Called up share capital	22	21,000	16,500
Retained earnings		20,498	18,017
Total equity		41,498	34,517
Total liabilities and equity		451,784	353,957

The financial statements were approved by the Board of Directors on 25 March 2024 and signed on their behalf by:

John Spellman
Chairman

Douglas Grant
Managing Director

James Smeed
Finance Director

The notes on pages 18 to 52 form part of these financial statements.

As at 31 December	Note	2023 £000	2022 £000
Assets			
Cash and cash equivalents	10	7,382	15,086
Debt securities	11	76,129	40,675
Loans and advances to customers	12	360,075	292,139
Trade and other receivables	13	3,573	1,576
Property and equipment	14	1,096	1,109
Intangible assets	15	1,652	842
Amounts due from Group undertakings	16	888	1,105
Investment in Group undertakings	16	1,001	1,001
Goodwill	17	448	448
Total assets		452,244	353,981
Liabilities			
Deposits from customers	18	390,421	304,199
Amounts due to Group undertakings	16	5,049	6,090
Creditors and accrued charges	19	4,214	4,337
Subordinated loans	20	13,950	7,450
Pension liability	21	162	237
Deferred tax liability	9	128	128
Total liabilities		413,924	322,441
Equity			
Called up share capital	22	21,000	16,500
Retained earnings		17,320	15,040
Total equity		38,320	31,540
Total liabilities and equity		452,244	353,981

The financial statements were approved by the Board of Directors on 25 March 2024 and signed on their behalf by:

John Spellman
Chairman

Douglas Grant
Managing Director

James Smeed
Finance Director

The notes on pages 18 to 52 form part of these financial statements.

Group	Share capital £000	Retained earnings and other reserves £000	Total £000
Balance as at 1 January 2022	15,500	15,686	31,186
Profit for the year after taxation	-	1,793	1,793
Other comprehensive income	-	538	538
Transactions with owners:			
Shares issued	1,000	-	1,000
Balance as at 31 December 2022	16,500	18,017	34,517
Profit for the year after taxation	-	2,163	2,163
Other comprehensive income	-	318	318
Transactions with owners			
Shares issued	4,500	-	4,500
Balance as at 31 December 2023	21,000	20,498	41,498

Bank	Share capital £000	Retained earnings and other reserves £000	Total £000
Balance as at 1 January 2022	15,500	12,942	28,442
Profit for the year after taxation	-	1,560	1,560
Other comprehensive income	-	538	538
Transactions with owners:			
Shares issued	1,000	-	1,000
Balance as at 31 December 2022	16,500	15,040	31,540
Profit for the year after taxation	-	1,962	1,962
Other comprehensive income	-	318	318
Transactions with owners:			
Shares issued	4,500	-	4,500
Balance as at 31 December 2023	21,000	17,320	38,320

The notes on pages 18 to 52 form part of these financial statements.

For the year ended 31 December	Note	2023 £000	2022 £000
RECONCILIATION OF PROFIT BEFORE TAXATION TO OPERATING CASH FLOWS			
Profit before tax on continuing activities		2,493	2,069
Adjustments for:			
Depreciation	14	312	203
Amortisation	15	348	328
Net interest income		(19,190)	(20,627)
Impairment of loans and advances to customers		571	3,400
Realised gain on debt securities		(1,893)	(298)
Pension cost in personnel expenses	21	11	14
Changes in:			
Trade and other receivables		(1,473)	(1,025)
Creditors and accrued charges		(903)	1,060
Amounts due from Group undertakings		282	(36)
Amounts due to Group undertakings		(641)	1,988
Net cash used in trading activities		(20,083)	(12,924)
Changes in:			
Loans and advances to customers		(67,900)	(70,055)
Deposits from customers		86,251	61,976
Pension contributions	21	(57)	(57)
Net cash used in operating activities		(1,789)	(21,060)
CASH FLOW STATEMENT			
Cash from operating activities			
Cash outflow from operating activities		(1,789)	(21,060)
Interest received - cash amounts		33,249	24,882
Interest paid - cash amounts		(14,729)	(6,557)
Income taxes paid		(483)	(78)
Net cash from / (used in) operating activities		16,248	(2,813)
Cash flows from investing activities			
Purchase of property and equipment - excluding Right-of-use assets	14	(340)	(179)
Purchase of intangible assets	15	(1,139)	(432)
Sale of property and equipment	14	-	481
(Purchase) / sale of debt securities		(33,237)	741
Net cash (used in) / from investing activities		(34,716)	611
Cash flows from financing activities			
Increase in share capital	23	4,500	1,000
Receipt of subordinated loan		6,500	-
Payment of lease liability (capital)	26	(139)	(68)
Net cash from financing activities		10,861	932
Decrease in cash and cash equivalents		(7,607)	(1,270)
Cash and cash equivalents 1 January		16,227	17,497
Cash and cash equivalents at 31 December		8,620	16,227

The notes on pages 18 to 52 form part of these financial statements.

For the year ended 31 December	Note	2023 £000	2022 £000
RECONCILIATION OF PROFIT BEFORE TAXATION TO OPERATING CASH FLOWS			
Profit before tax on continuing activities		2,187	1,777
Adjustments for:			
Depreciation	14	172	174
Amortisation	15	327	303
Realised gain on debt security		(1,893)	(298)
Pension cost in personnel expenses	21	11	14
Net interest income		(19,212)	(20,604)
Impairment of loans and advances to customers		571	3,400
Changes in:			
Trade and other receivables		(1,997)	(871)
Creditors and accrued charges		(94)	523
Amounts due from Group undertakings		217	(791)
Amounts due to Group undertakings		(1,041)	2,405
Net cash used in trading activities		(20,752)	(13,968)
Changes in:			
Loans and advances to customers		(68,322)	(69,991)
Deposits from customers		86,246	61,976
Pension contributions	21	(57)	(57)
Cash used in operating activities		(2,885)	(22,040)
CASH FLOW STATEMENT			
Cash flows from operating activities			
Cash outflow from operating activities		(2,885)	(22,040)
Interest received - cash amounts		33,705	24,882
Interest paid - cash amounts		(14,702)	(6,557)
Income taxes paid		(214)	(61)
Net cash from / (used in) operating activities		15,904	(3,776)
Cash flows from investing activities			
Purchase of property and equipment	14	(159)	(61)
Purchase of intangible assets	15	(1,137)	(415)
Sale of property and equipment		-	481
(Purchase) / sale of debt securities		(33,237)	741
Net cash (used in) / from investing activities		(34,533)	746
Cash flows from financing activities			
Increase in share capital	23	4,500	1,000
Receipt of subordinated loans		6,500	-
Payment of lease liability (capital)	26	(75)	(71)
Net cash from financing activities		10,925	929
Decrease in cash and cash equivalents		(7,704)	(2,101)
Cash and cash equivalents 1 January		15,086	17,187
Cash and cash equivalents at 31 December		7,382	15,086

The notes on pages 18 to 52 form part of these financial.

1. Reporting entity

Conister Bank Limited ("Bank") is a Bank incorporated in the Isle of Man. The consolidated financial statements of the Bank for the year ended 31 December 2023 comprise the Bank and its subsidiaries ("Group").

The Bank's financial statements are the separate financial statements of the Bank.

A summary of the principal accounting policies, which have been applied consistently, are set out below:

2. Basis of preparation

a) Statement of compliance

The consolidated and separate financial statements of the Bank have been prepared in accordance with International Accounting Standards ("IAS") in accordance with UK-adopted international accounting standards ("UK-adopted IFRS" or "IFRSs") as applicable to an Isle of Man Company, on a going concern basis as disclosed in the Directors' Report.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2023:

- Definition of Accounting Estimates - Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Disclosure Initiative: Accounting Policies - Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes

No significant changes followed the implementation of these standards and amendments.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. New standards and amendments to standards, adopted but not yet effective with an initial application of 1 January 2024:

- Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules;
- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 Leases;
- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants - Amendments to IAS 1 Presentation of Financial Statements;
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements;
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and
- IFRS S2 Climate-related Disclosures.

The Group has assessed the impact of these amendments and expects they will not have a material impact, when adopted, on the Group Financial Statements.

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

b) Basis of measurement

The financial statements are prepared on a historical cost basis except for the following material items:

Items	Measurement basis
FVOCI - Debt securities	Fair value
Net defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation

c) Functional and presentation currency

These financial statements are presented in pounds sterling, which is the Group's functional currency. Except as indicated, financial information presented in pounds sterling has been rounded to the nearest thousand. All subsidiaries of the Group have pounds sterling as their functional currency.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 3(k).

3. Material accounting policies

a) Basis of consolidation of subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-Group balances, income and expenses and unrealised losses or gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

b) Property and equipment and intangible assets

Items of property and equipment are stated at historical cost less accumulated depreciation (see below). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

When parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment.

An intangible asset is an identifiable non-monetary asset without physical substance. An item is identifiable if it is separable or arises from contractual or other legal rights. The initial measurement of an intangible asset depends on whether it has been acquired separately or has been acquired as part of a business combination.

Intangible assets that are acquired by an entity and having finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives that are acquired or built are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised but instead are subject to impairment testing at least annually.

Expenditure on internally developed intangible assets is recognised as an asset when the Group is able to demonstrate: that the product is technically feasible, its intention and ability to complete the development and use the intangible asset in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed intangible assets include all costs directly attributable to developing the intangible asset, and are amortised over its useful life. Internally developed intangible assets is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Indefinite useful life intangible assets are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Depreciation and amortisation

Assets are depreciated or amortised on a straight-line basis, so as to write off the book value over their estimated useful lives. The estimated useful lives of property and equipment and intangibles are as follows:

Leasehold improvements	to expiration of the lease
Equipment	4-10 years
Vehicles	2-5 years
Furniture	4-10 years
IT Software	4- 5 years
Intellectual property rights	4 - 5 years

Included in intellectual property rights is capitalised costs for acquiring a UK Banking licence.

The banking licence is assumed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate benefits for the business. Costs related to obtaining this asset are held at cost and are not being amortised.

3. Material accounting policies (continued)

c) Financial assets and liabilities

i. Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

ii. Classification (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information provided to management.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

3. Material accounting policies (continued)

c) Financial assets and liabilities (continued)

Financial liabilities

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

Financial liabilities

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

v. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at the date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

vii. Impairment

The Group recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

3. Material accounting policies (continued)

c) Financial assets and liabilities (continued)

vii. Impairment (continued)

If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.

- A SICR is always deemed to occur when the borrower is 30 days past due on its contractual payments. If the Group becomes aware ahead of this time of non-compliance or financial difficulties of the borrower, such as loss of employment and/or avoiding contact with the Group then a SICR has also deemed to occur.
- A receivable is always deemed to be in default and credit-impaired when the borrower is 90 days past due on its contractual payments or earlier if the Group becomes aware of severe financial difficulties such as bankruptcy, IVA, abscond or disappearance, fraudulent activity and other similar events.

The Group has granted payment holidays to customers with no prior arrears based on individual circumstances. These customers are not able to incur further arrears as no payments are being called whilst they are on the payment holiday. These customers have not been deemed to have a SICR unless the customer is under exceptional financial hardship due to COVID-19.

If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Financial instruments in Stage 3 have their ECL measured based on expected credit losses on an undiscounted lifetime basis.

The Group measures loss allowances at an amount equal to lifetime ECL, except for debt investment securities that are determined to have low credit risk at the reporting date for which they are measured as a 12-month ECL. Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

After a detailed review, the Group devised and implemented an impairment methodology in light of the IFRS 9 requirements outlined above noting the following:

- The ECL was derived by reviewing the Group's probability of default and loss given default over the past 9 years by product and geographical segment;
- The Group has assumed that the future economic conditions will broadly mirror the current environment and therefore the forecasted loss levels in the next 3-years will match the Group's experience in recent years; and
- If the Group holds objective evidence through specifically assessing a credit-impaired receivable and believes it will go on to completely recover the debt due to the collateral held and cooperation with the borrower, then no IFRS 9 provision is made.

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.

3. Material accounting policies (continued)

c) Financial assets and liabilities (continued)

vi. Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit impaired, the Group considers the following factors:

- the market's assessment of creditworthiness as reflected in the bond yields;
- the rating agencies' assessments of creditworthiness;
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- loan commitments: generally, as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-offs

Loans and debt securities are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and deposit balances with an original maturity date of three months or less.

3. Material accounting policies (continued)

e) Long-term employee benefits

Pension obligations

The Group has pension obligations arising from both defined benefit and defined contribution pension plans.

A defined contribution pension plan is one under which the Group pays fixed contributions into a separate fund and has no legal or constructive obligations to pay further contributions. Defined benefit pension plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

The statement of financial position records as an asset or liability as appropriate, the difference between the market value of the plan assets and the present value of the accrued plan liabilities. The defined benefit pension plan obligation is calculated by independent actuaries using the projected unit credit method and a discount rate based on the yield on high quality rated corporate bonds.

The Group's defined contribution pension obligations arise from contributions paid to a Group personal pension plan, an ex gratia pension plan, employee personal pension plans and employee co-operative insurance plans. For these pension plans, the amounts charged to the income statement represent the contributions payable during the year.

f) Leases

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

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and therefore accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3. Material accounting policies (continued)

f) Leases (continued)

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Finance leases and HP contracts

When assets are subject to a finance lease or HP contract, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. HP and lease income is recognised over the term of the contract or lease reflecting a constant periodic rate of return on the net investment in the contract or lease. Initial direct costs, which may include commissions and legal fees directly attributable to negotiating and arranging the contract or lease, are included in the measurement of the net investment of the contract or lease at inception.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

g) Current and deferred taxation

Current taxation relates to the estimated corporation tax payable in the current financial year. Deferred taxation is provided in full, using the liability method, on timing differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax is realised. Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

h) Interest income and expense

Interest income and expense are recognised in the statement of profit or loss and other comprehensive income using the effective interest method.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts of the financial instrument to the net carrying amount of the financial asset or financial liability. The discount period is the expected life or, where appropriate, a shorter period. The calculation includes all amounts receivable or payable by the Group that are an integral part of the overall return, including origination fees, loan incentives, broker fees payable, estimated early repayment charges, balloon payments and all other premiums and discounts. It also includes direct incremental transaction costs related to the acquisition or issue of the financial instrument. The calculation does not consider future credit losses.

Once a financial asset or a group of similar financial assets has been written down as a result of impairment, subsequent interest income continues to be recognised using the original effective interest rate applied to the reduced carrying value of the financial instrument.

i) Fees and commission income

Fees and commission income other than that directly related to loans is recognised over the period for which service has been provided or on completion of an act to which the fees relate.

3. Material accounting policies (continued)

j) Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services ("business segment"), or in providing products or services within a particular economic environment ("geographical segment"), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

k) Key sources of estimation uncertainty

Management believe that a key area of estimation and uncertainty is in respect of the impairment allowances on loans and advances to customers. Loans and advances to customers are evaluated for impairment on a basis described in note 4(a)(i), credit risk. The Group has substantial historical data upon which to base collective estimates for impairment on HP contracts, finance leases, commercial wholesale and personal loans. The accuracy of the impairment allowances depend on how closely the estimated future cash flows mirror actual experience.

l) Interests in equity accounted investees

The Group's interests in equity accounted investees comprise interests in an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, until the date on which significant influence or joint control ceases.

4. Risk and capital management

a) Risk management

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- operational risk; and
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established the Risk Management Committee ("RMCO") which reports to the MFG Group Audit, Risk and Compliance Committee ("ARCC") and is responsible for developing and monitoring Group risk management policies in their specified areas. Operational responsibility for asset and liability management is delegated to Executive Directors and management through the Assets and Liabilities Committee ("ALCO").

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions. The Group has a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The ARCC is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the ARCC.

A. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default, country and sector risk).

Management of credit risk

The Board has delegated responsibility for the management of credit risk to the Credit Committee ("CC") for loans and ALCO for other assets. The following measures are taken in order to manage the exposure to credit risk:

- explicit credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- a rigorous authorisation structure for the approval and renewal of credit facilities. Each opportunity is researched for viability, legal/regulatory restriction and risk. If recommended, the proposal is submitted to the Board or the CC. The CC reviews lending assessments in excess of individual credit control or executive discretionary limits;
- reviewing and assessing existing credit risk and collateral. The CC assesses all credit exposures in excess of designated limits, as set out in the underwriting manual;
- limiting concentrations of exposure to counterparties, geographies and industries, and defining sector limits and lending caps;
- limiting the term of exposure to minimise interest rate risk;
- ensuring that appropriate records of all sanctioned facilities are maintained;
- ensuring regular account reviews are carried out for all accounts agreed by the CC; and
- ensuring Board approval is obtained on all decisions of the CC above the limits set out in the Group credit risk policy.

4. Risk and capital management (continued)

a) Risk management (continued)

A. Credit risk (continued)

i. Credit quality analysis

Loans and advances to customers

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 3(c)vii.

An analysis of the credit risk on loans and advances to customers is as follows:

	2023				2022			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Grade A	343,339	-	-	343,339	274,862	-	-	274,862
Grade B	-	5,778	3,700	9,478	-	4,402	9,347	13,749
Grade C	-	2	16,566	16,568	391	-	12,743	13,134
Gross value	343,339	5,780	20,266	369,385	275,253	4,402	22,090	301,745
Allowance for impairment	(184)	(6)	(9,081)	(9,271)	(303)	(3)	(9,295)	(9,601)
Carrying value	343,155	5,774	11,185	360,114	274,950	4,399	12,795	292,144

Loans are graded A to C depending on the level of risk. Grade A relates to agreements with the lowest risk, Grade B with medium risk and Grade C relates to agreements with the highest risk.

The following table sets out information about the overdue status of loans and advances to customers in Stage 1, 2 and 3:

	2023				2022			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Stage 2 £000	Stage 3 £000	Stage 1 £000	Total £000
Current	337,494	-	-	337,494	270,660	-	-	270,660
Overdue < 30 days	5,845	-	-	5,845	4,593	-	-	4,593
Overdue > 30 days	-	5,780	20,266	26,046	-	4,402	22,090	26,492
Gross value	343,339	5,780	20,266	369,385	275,253	4,402	22,090	301,745

For Stage 3 loans and advances that are overdue for more than 30 days, the Group and Bank hold collateral value of £13,411,000 (2022: £13,053,000) representing security cover of 66% (2022: 59%).

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity are £nil (2022: £nil).

Debt securities, cash and cash equivalents

The following table sets out the credit quality of liquid assets:

Group	2023 £000	2022 £000
Government bonds and treasury bills		
Rated A to A+	76,129	40,675
Cash and cash equivalents		
Rated A to A+	8,620	16,227
Trade and other receivables		
Unrated	3,163	1,607
	87,912	58,509

The analysis has been based on Standard & Poor's ratings. The above debt securities, cash and cash equivalents are considered to be Stage 1 as there is no evidence of significant deterioration in credit quality and hence no material expected credit loss allowance is observed.

4. Risk and capital management (continued)

a) Risk management (continued)

A. Credit risk (continued)

ii. Collateral and other credit enhancements

The Group holds collateral in the form of the underlying assets (typically private and commercial vehicles, plant and machinery) to loan arrangements as security for HP, finance leases, vehicle stocking plans, block discounting, wholesale funding arrangements, integrated wholesale funding arrangements and secured commercial loan balances, which are sub-categories of loans and advances to customers. In addition, the Group will take debentures, mortgages, personal and corporate guarantees, fixed and floating charges on specific assets such as cash and shares.

The terms of enforcing such security can only occur on default, and when realised can only be used to settle the amount of debt and related collection fees. On occasion the Bank may realise a surplus if the defaulting party loses title to the underlying security as part of enforcement.

In addition, the commission share schemes have an element of capital indemnified. As at 31 December 2023, 28.7% of loans and advances to customers (2022: 12.2%) fell into this category.

At the time of granting credit within the sub-categories listed above, the loan balances due are secured over the underlying assets held as collateral (see note 12 for further details). Collateral is valued at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

For portfolios where the Group has never had a default in its history or has robust credit enhancements such as credit insurance or default indemnities for the entire portfolio, then no IFRS 9 provision is made. At 2023 year-end, 28.0% had such credit enhancements (2022: 29.0%).

The following table sets out the principal types of collateral held against different types of financial assets.

Group and Bank	2023 %	2022 %	Principal type of collateral held
HP balances	100	100	Property and equipment
Finance lease balances	100	100	Property and equipment
Unsecured personal loans	-	-	None
Vehicle stocking plans	100	100	Motor vehicles
Wholesale funding arrangements	100	100	Floating charges over corporate assets
Block discounting	100	100	Floating charges over corporate assets
Secured commercial loans	100	100	Floating charges over corporate assets
Secured personal loans	-	-	Property
Government backed loans	70 - 100	70 - 100	Government guarantee
Property secured	100	100	Property

There have been no significant changes in the quality of collateral as a result of a deterioration or changes to the Group's collateral policies during the reporting period.

4. Risk and capital management (continued)

a) Risk management (continued)

A. Credit risk (continued)

iii. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward looking information.

- A Significant Increase in Credit Risk ("SICR") is always deemed to occur when the borrower is 30 days past due on its contractual payments. If the Group becomes aware ahead of this time of non-compliance or financial difficulties of the borrower, such as loss of employment, avoiding contact with the Group then a SICR has also deemed to occur.
- A receivable is always deemed to be in default and credit-impaired when the borrower is 90 days past due on its contractual payments or earlier if the Group becomes aware of severe financial difficulties such as bankruptcy, individual voluntary arrangements, abscond or disappearance, fraudulent activity or other similar events.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates. Loans are graded A to C depending on the level of risk. Grade A relates to agreements with the lowest risk, Grade B with medium risk and Grade C relates to agreements with the highest of risk.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data:

Corporate exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files - e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants	Internally collected data on customer behaviour - e.g. repayment behaviour	Payment record - this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies	Affordability matrix External data from credit reference agencies, including industry-standard credit scores	Requests for and granting of forbearance Existing forecast changes in business, financial and economic conditions

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significant may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes

4. Risk and capital management (continued)

a) Risk management (continued)

A. Credit risk (continued)

iii. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Incorporation of forward-looking information

The Group incorporates forward looking information into the measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses its financial instruments and using an analysis of historical data, has estimated the relationship between macroeconomic variables and credit risk and credit losses. The key drivers for credit risk for corporate, retail and wholesale portfolios include gross domestic product (GDP) growth, unemployment rates and consumer price index (CPI) inflation. The Group estimates each key driver for credit risk over the active forecast period of three years. The table below lists the UK macroeconomic assumption used in the base scenarios over the five year forecast period:

31 December 2023	2024	2025	2026	2027	2028
GDP growth rate	0.5	1.0	1.3	1.5	1.7
CPI inflation	4.2	2.4	1.8	2.0	2.0
Unemployment rate	4.8	4.9	4.9	4.9	5.0

31 December 2022	2024	2025	2026	2027	2028
GDP growth rate	0.0	0.4	n/a	n/a	n/a
CPI inflation	1.8	0.8	n/a	n/a	n/a
Unemployment rate	n/a	n/a	n/a	n/a	n/a

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 8 years.

Changes to ECL assumptions from the prior year

As of 31 December 2023, the Group has updated its economic projections utilised in the expected credit loss calculation, shifting from the 2022 figures. This adjustment is prompted by a higher than anticipated inflation and GDP growth rate. Additionally, the forecast duration has been prolonged from two to five years, and an additional key indicator - unemployment rate, has been incorporated.

iv. Concentration of credit risk

Geographical

Lending is restricted to individuals and entities with Isle of Man and UK addresses.

Segmental

The Group is exposed to credit risk with regard to customer loan accounts, comprising HP and finance lease balances, unsecured personal loans, secured commercial loans, block discounting, wholesale and vehicle stocking plan loans. In addition, the Bank lends via significant introducers into the UK. There was one introducer that accounted for more than 5% of the Bank's total lending portfolio at the end of 31 December 2023 (2022: one introducer).

B. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial liability obligations as they fall due.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses various methods, including forecasting of cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Maturity mismatches between lending and funding are managed within internal risk policy limits.

Minimum liquidity

The Isle of Man Financial Services Authority ("FSA") requires that the Group should be able to meet its obligations for a period of at least six months. In order to meet this requirement, the Group measures and manages its cash flow commitments, and maintains its liquid balances in a diversified portfolio of short-term bank balances, short-dated UK Government Treasury Bills and Certificates of Deposit.

Bank balances are only held with financial institutions approved by the Board and which meet the requirements of the FSA.

4. Risk and capital management (continued)

a) Risk management (continued)

B. Liquidity risk (continued)

Measurement of liquidity risk

The key measure used by the Group for managing liquidity risk is the assets and liabilities maturity profile.

The following table shows the Group's financial liabilities classified by their earliest possible contractual maturity, on an undiscounted basis including interest due at the end of the deposit term. Based on historical data, the Group's expected actual cash flow from these items vary from this analysis due to the expected re-investment of maturing customer deposits.

Residual contractual maturities of financial liabilities as at the reporting date (consolidated) (undiscounted)

Group	Sight to 8 days	> 8 days to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	>5 years	Total
31 December 2023	£000	£000	£000	£000	£000	£000	£000	£000	£000
Deposits from customers	17,261	13,767	29,718	77,801	122,719	125,205	24,076	-	410,547
Other liabilities	5,467	-	2	2	5	20	20	14,051	19,567
Total liabilities	22,728	13,767	29,720	77,803	122,724	125,225	24,096	14,051	430,114

Group	Sight to 8 days	> 8 days to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	>5 years	Total
31 December 2022	£000	£000	£000	£000	£000	£000	£000	£000	£000
Deposits from customers	10,878	6,838	27,346	65,153	104,662	81,670	14,557	-	311,104
Other liabilities	7,791	-	-	-	-	-	-	7,450	15,241
Total liabilities	18,669	6,838	27,346	65,153	104,662	81,670	14,557	7,450	326,345

The table below shows the carrying amount of the Group's assets and liabilities by their expected maturities.

Expected maturity of assets and liabilities as at the reporting date:

Group	Sight to 8 days	> 8 days to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	>5 years	Total
31 December 2023	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and cash equivalents	8,620	-	-	-	-	-	-	-	8,620
Debt securities	3,499	7,976	28,275	36,379	-	-	-	-	76,129
Loans and advances	17,720	23,854	41,805	42,293	54,800	131,666	46,906	1,070	360,114
Other assets	-	-	-	-	-	-	-	6,921	6,921
Total assets	29,839	31,830	70,080	78,672	54,800	131,666	46,906	7,991	451,784
Liabilities									
Deposits from customers	16,884	12,750	27,084	74,397	118,029	118,434	22,843	-	390,421
Other liabilities	5,915	-	-	-	-	-	-	13,950	19,865
Total liabilities	22,799	12,750	27,084	74,397	118,029	118,434	22,843	13,950	410,286

4. Risk and capital management (continued)

a) Risk management (continued)

B. Liquidity risk (continued)

Group	Sight to 8 days	> 8 days to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	>5 years	Total
31 December 2022	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and cash equivalents	14,238	1,989	-	-	-	-	-	-	16,227
Debt securities	3,986	7,987	20,785	7,917	-	-	-	-	40,675
Loans and advances	9,593	10,952	27,167	40,730	47,813	106,755	46,176	2,958	292,144
Other assets	-	-	-	-	-	-	-	4,911	4,911
Total assets	27,817	20,928	47,952	48,647	47,813	106,755	46,176	7,869	353,957
Liabilities									
Deposits from customers	10,878	6,380	26,552	64,251	103,561	78,984	13,593	-	304,199
Other liabilities	7,791	-	-	-	-	-	-	7,450	15,241
Total liabilities	18,669	6,380	26,552	64,251	103,561	78,984	13,593	7,450	319,440

Bank

The carrying amounts for Debt securities, Loans and advances to customers, Goodwill, Deposits from customers, Subordinated loans and Pension liability substantially agree to those of the Group and follow the same maturity profile as that of the Group. Of the remaining balances, cash and cash equivalents, trade and other receivables, amounts due from / to group undertakings, creditors and accrued charges all have a maturity of less than one year. The remaining assets are all deemed repayable in more than five years.

C. Operational risk

Operational risk arises from the potential for inadequate systems including systems' breakdown, errors, poor management, breaches in internal controls, fraud and external events to result in financial loss or reputational damage. Operational risk also occurs when lending through an outsourced partner. The Group manages this risk through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and business continuity arrangements. Operational risk across the Group is analysed and discussed at all Board meetings, with ongoing monitoring of actions arising to address the risks identified.

D. Market risk

Market risk is the risk that changes in the level of interest rates, changes in the rate of exchange between currencies or changes in the price of securities and other financial contracts including derivatives will have an adverse financial impact. The primary market risk within the Group is interest rate risk exposure. As at 31 December 2023 and 2022, the fair value of the financial instruments as presented in the following interest risk table are considered to be equal to their carrying amounts.

Interest rate risk arises from the difference between the maturity of capital and interest payable on customer deposit accounts, and the maturity of capital and interest receivable on loans and financing. The differing maturities on these products create interest rate risk exposures due to the imperfect matching of different financial assets and liabilities. The risk is managed on a continuous basis by management and reviewed by the Board. The Group monitors interest rate risk on a monthly basis via the ALCO.

The matching of the maturity interest rates of assets and liabilities is fundamental to the management of the Group. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

4. Risk and capital management (continued)

a) Risk management (continued)

D. Market risk (continued)

Interest risk re-pricing table

The following tables present the interest rate mismatch position between assets and liabilities over the respective maturity dates. The maturity dates are presented on a worst-case basis, with assets being recorded at their latest maturity and customer accounts at the earliest:

Group	Sight to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	> 5 years	Non-Interest Bearing	Total
31 December 2023	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and cash equivalents	8,620	-	-	-	-	-	-	-	8,620
Debt securities	11,475	28,275	36,379	-	-	-	-	-	76,129
Loans and advances	41,574	41,805	42,293	54,800	131,666	46,906	1,070	-	360,114
Other assets	-	-	-	-	-	-	-	6,921	6,921
Total assets	61,669	70,080	78,672	54,800	131,666	46,906	1,070	6,921	451,784
Liabilities and equity									
Deposits from customers	29,634	27,084	74,397	118,029	118,434	22,843	-	-	390,421
Other liabilities	-	-	-	-	-	-	13,950	5,915	19,865
Total capital reserves	-	-	-	-	-	-	-	41,498	41,498
Total liabilities and equity	29,634	27,084	74,397	118,029	118,434	22,843	13,950	47,413	451,784
Interest rate sensitivity gap	32,035	42,996	4,275	(63,229)	13,232	24,063	(12,880)	(40,492)	-

Group	Sight to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	> 5 years	Non-Interest Bearing	Total
31 December 2022	£000	£000	£000	£000	£000	£000	£000	£000	£000
Assets									
Cash and cash equivalents	16,227	-	-	-	-	-	-	-	16,227
Debt securities	11,973	20,785	7,917	-	-	-	-	-	40,675
Loans and advances	20,545	27,167	40,730	47,813	106,755	46,176	2,958	-	292,144
Other assets	-	-	-	-	-	-	-	4,911	4,911
Total assets	48,745	47,952	48,647	47,813	106,755	46,176	2,958	4,911	353,957
Liabilities and equity									
Deposits from customers	17,258	26,552	64,251	103,561	78,984	13,593	-	-	304,199
Other liabilities	-	-	-	-	-	-	7,450	7,791	15,241
Total capital reserves	-	-	-	-	-	-	-	34,517	34,517
Total liabilities and equity	17,258	26,552	64,251	103,561	78,984	13,593	7,450	42,308	353,957
Interest rate sensitivity gap	31,487	21,400	(15,604)	(55,748)	27,771	32,583	(4,492)	(37,397)	-

4. Risk and capital management (continued)

a) Risk management (continued)

D. Market risk (continued)

Sensitivity analysis for interest rate risk

The Group monitors the impact of changes in interest rates on the above interest rate mismatch positions using a method consistent with the FSA required reporting standard. The methodology applies weightings to the net interest rate sensitivity gap in order to quantify the impact of an adverse change in interest rates of 2.0% per annum (2022: 2.0%). The following tables set out the estimated total impact of such a change based on the mismatch at the reporting date: -

Group	Sight to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	> 5 years	Non-Interest Bearing	Total
31 December 2023									
Interest rate sensitivity gap (£000)	32,035	42,996	4,275	(63,229)	13,232	24,063	(12,880)	(40,492)	-
Weighting	-	0.003	0.007	0.014	0.027	0.054	0.115	-	-
Cumulative (£000)	-	129	30	(885)	357	1,299	(1,481)	-	551

Group	Sight to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 1 year	>1 year to 3 years	>3 years to 5 years	> 5 years	Non-Interest Bearing	Total
31 December 2022									
Interest rate sensitivity gap (£000)	31,487	21,400	(15,604)	(55,748)	27,771	32,583	(4,492)	(37,397)	-
Weighting	-	0.003	0.007	0.014	0.027	0.054	0.115	-	-
Cumulative (£000)	-	64	(109)	(780)	750	1,759	(517)	-	1,167

b) Classification of financial assets and financial liabilities

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

Group	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI - Debt instruments £000	FVOCI - equity instruments £000	Amortised cost £000	Total carrying amount £000
31 December 2023						
Cash and cash equivalents	-	-	-	-	8,620	8,620
Debt securities	-	-	76,129	-	-	76,129
Loans and advances to customers	-	-	-	-	360,114	360,114
Trade and other receivables	-	-	-	-	3,163	3,163
Amount due from Group undertakings	-	-	-	-	-	-
Total financial assets	-	-	76,129	-	371,897	448,026
Customer accounts	-	-	-	-	390,421	390,421
Amounts due to Group undertakings	-	-	-	-	1,383	1,383
Creditor and accrued charges	-	-	-	-	4,193	4,193
Subordinated loans	-	-	-	-	13,950	13,950
Total financial liabilities	-	-	-	-	409,947	409,947

4. Risk and capital management (continued)

b) Classification of financial assets and financial liabilities (continued)

Group	Mandatorily at FVTPL £000	Designated as at FVTPL £000	FVOCI - Debt instruments £000	FVOCI - equity instruments £000	Amortised cost £000	Total carrying amount £000
31 December 2022						
Cash and cash equivalents	-	-	-	-	16,227	16,227
Debt securities	-	-	40,675	-	-	40,675
Loans and advances to customers	-	-	-	-	292,144	292,144
Trade and other receivables	-	-	-	-	1,690	1,690
Amounts due from Group undertakings	-	-	-	-	282	282
Total financial assets	-	-	40,675	-	310,343	351,018
Customer accounts	-	-	-	-	304,199	304,199
Amounts due to Group undertakings	-	-	-	-	2,024	2,024
Creditor and accrued charges	-	-	-	-	5,400	5,400
Subordinated loans	-	-	-	-	7,450	7,450
Total financial liabilities	-	-	-	-	319,073	319,073

c) Capital management

Regulatory capital

The Group and its subsidiaries maintain sufficient capital stock to cover risks inherent in their principal operating activities. The lead regulator of the Bank, is the FSA. The FSA sets and monitors capital requirements for the Bank. The Bank maintains a capital base to meet the capital adequacy requirements of the FSA. There have been no changes to its approach to capital management from the prior year.

The Group considers capital to comprise share capital, reserves and subordinated loans. Capital is deployed by the Board to meet the commercial objectives of the Group, whilst meeting regulatory requirements. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor, depositor and market confidence and to sustain future development of the business. In implementing current capital requirements, in line with Basel III, the FSA has updated its directions requiring the Group to maintain a prescribed ratio of Common Equity Tier 1 capital ("CET1"), Tier 1 and Total Capital to total risk-weighted assets. This requirement has been adhered to throughout the year. The Group's regulatory capital is analysed into three tiers:

- CET1 capital, which includes ordinary share capital, share premium and retained earnings;
- Tier 1 capital, which is calculated as CET1 capital plus additional Tier 1 capital ("AT1"). AT1 capital is defined as instruments that are not common equity but are eligible to be included in this tier, such as contingent convertible bonds that absorb losses if regulatory capital falls below levels determined by the regulator; and
- Tier 2 capital, which includes collective impairment allowances up to the level set by the FSA and subordinated loan liabilities.

During the year the Group's regulatory capital was analysed in two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium and retained earnings; and
- Tier 2 capital, which includes collective impairment allowances up to the level set by the FSA, subordinated loan liabilities and unrealised gains on financial instruments carried at fair value.

4. Risk and capital management (continued)

c) Capital management (continued)

The Bank's regulatory capital position at 31 December was as follows:

	2023 £000	2022 £000
Tier 1 capital		
Ordinary share capital	21,000	16,500
Retained earnings [^]	18,020	18,017
Deduction for goodwill	-	(448)
Deduction of parent receivable	-	(282)
Deduction for intangible assets	(1,675)	(884)
Total Tier 1 capital	37,345	32,903
Tier 2 capital		
Subordinated loans	13,950	7,450
Collective allowances for impairment	190	215
Total Tier 2 capital	14,140	7,665
Total regulatory capital	51,485	40,568
Total risk-weighted assets	324,156	268,932
Risk asset ratio		
Tier 1 capital ratio	11.5%	12.2%
Total regulatory capital expressed as a percentage of total risk-weighted assets	15.9%	15.1%

[^] Retained earnings used in the risk asset ratio calculation can vary from that shown on the statement of financial position due to the classification of certain items within the calculation as prescribed by the FSA. The main adjustment relates to profit for the year which cannot be recognised as capital until the financial statements have been audited unless an interim period is first verified by an external auditor. Another adjustment is that intercompany receivables are deducted from Tier 1 capital.

d) Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument:

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4. Risk and capital management (continued)

d) Fair value of financial instruments (continued)

Financial instruments measured at fair value - fair value hierarchy

The following table shows the carrying amounts and fair values of Group financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Carrying Amount Total £000	Fair value			Total £000
		Level 1 £000	Level 2 £000	Level 3 £000	
31 December 2023					
Financial assets measured at fair value					
Debt securities	<u>76,129</u>	<u>-</u>	<u>76,129</u>	<u>-</u>	<u>76,129</u>
	<u>76,129</u>	<u>-</u>	<u>76,129</u>	<u>-</u>	<u>76,129</u>
Financial assets not measured at fair value					
Cash and cash equivalents	8,620	-	-	-	-
Loans and advances to customers	360,114	-	-	-	-
Trade and other receivables	3,362	-	-	-	-
Amounts due from Group undertakings	-	-	-	-	-
	<u>372,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value					
Customer accounts	390,421	-	-	-	-
Amounts due to Group undertakings	1,383	-	-	-	-
Subordinated loan	13,950	-	-	-	-
Creditors and accruals	4,392	-	-	-	-
	<u>410,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Group	Carrying Amount Total £000	Fair value			Total £000
		Level 1 £000	Level 2 £000	Level 3 £000	
31 December 2022					
Financial assets measured at fair value					
Debt securities	<u>40,675</u>	<u>-</u>	<u>40,675</u>	<u>-</u>	<u>40,675</u>
	<u>40,675</u>	<u>-</u>	<u>40,675</u>	<u>-</u>	<u>40,675</u>
Financial assets not measured at fair value					
Cash and cash equivalents	16,227	-	-	-	-
Loans and advances to customers	292,144	-	-	-	-
Amounts due from Group undertakings	1,690	-	-	-	-
Trade and other receivables	282	-	-	-	-
	<u>310,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value					
Customer accounts	304,199	-	-	-	-
Amounts due to Group undertakings	2,024	-	-	-	-
Subordinated loan	7,450	-	-	-	-
Creditors and accruals	5,400	-	-	-	-
	<u>319,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All Company financial assets and liabilities carrying amounts are deemed to be reasonable approximation of fair value.

4. Risk and capital management (continued)

d) Fair value of financial instruments (continued)

Measurement of fair values

i. Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Debt securities	Market comparison / discounted cash flow: The fair value is estimated considering a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets.	Not applicable.	Not applicable.

Financial instruments measured at fair value

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on over the counter trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions.

5. Segmental analysis

Segmental information is presented in respect of the Group's business segments. The Board consider that the Group currently operates in one geographic segment, comprising of the Isle of Man and UK. The primary format, business segments, is based on the Group's management and internal reporting structure. The Board consider that the Group operates in one product orientated segment (2022: one segment): Asset and Personal Finance (including provision of HP contracts, finance leases, personal loans, commercial loans, government backed loans, wholesale and block discounting).

For the year ended 31 December 2023	Asset and Personal Finance £000
Net interest income	18,668
Operating income	14,927
Provision for impairment	(571)
Profit before tax	2,493
Capital expenditure	1,479
Total assets	451,784
Total liabilities	410,286

For the year ended 31 December 2022	Asset and Personal Finance £000
Net interest income	18,529
Operating income	15,870
Provision for impairment	(3,400)
Profit before tax	2,069
Capital expenditure	989
Total assets	353,957
Total liabilities	319,440

All revenues are earned from the entity's one geographic segment. All non-current assets are located in the entity's one geographic segment.

6. Interest income

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Interest income				
Loans and advances to customers	33,890	25,273	33,890	25,250
Total interest income calculated using the effective interest method	33,890	25,273	33,890	25,250
Operating lease income	-	33	-	33
Total interest income	33,890	25,306	33,890	25,283

7. Impairment of loans and advances to customers

The credit in respect of allowances for impairment comprises, excluding loss allowances on financial assets managed on a collective basis:

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Impairment allowances made	3,434	7,052	3,434	7,052
Reversal of allowances previously made	(2,837)	(3,612)	(2,837)	(3,612)
	597	3,440	597	3,440

The charge in respect of allowances for impairment comprises on financial assets managed on a collective basis comprises:

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Collective impairment allowances made	656	244	656	244
Release of allowances previously made	(682)	(284)	(682)	(284)
Total (credit) / charge for allowances for impairment on financial assets managed on a collect basis	(26)	(40)	(26)	(40)
Total charge for allowances for impairment	571	3,400	571	3,400

8. Profit before taxation

The profit before tax for the year is stated after charging:

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Directors' fees	128	58	128	58
Directors' remuneration	920	732	920	732
Directors' pensions	64	59	64	59
Directors' performance related pay	125	86	125	86
Fees payable to the Company's auditor for the audit of the Group's financial statements	86	76	86	76
<i>Other fees payable to the Company's auditor:</i>				
Audit of the Company's subsidiary undertakings	22	15	-	-
Other assurance service fees	10	6	10	6
Other services - tax compliance	4	4	4	4
Pension cost defined contribution scheme	11	14	11	14
Operating lease rentals for property	-	-	-	-

9. Income tax

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Current tax expense				
Current year	<u>283</u>	<u>202</u>	<u>225</u>	<u>145</u>
	283	202	225	145
Deferred tax expense				
Origination and reversal of temporary differences	<u>47</u>	<u>74</u>	<u>-</u>	<u>72</u>
	47	74	-	72
Total tax expense	330	276	225	217

Group	2023 £000	2022 £000
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Reconciliation of effective tax rate

Profit before tax on continuing operations		2,493		2,069
Tax using the Bank's domestic tax rate	10.0%	249	10.0%	207
Effect of tax rates in foreign jurisdictions	1.2%	29	0.9%	18
Non deductible expenses	2.0%	52	0.0%	-
Total tax expense	13.2%	330	10.9%	225

Bank	2023 £000	2022 £000
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Reconciliation of effective tax rate

Profit before tax on continuing operations		2,187		1,777
Tax using the Bank's domestic tax rate	10.0%	219	10.0%	178
Non deductible expenses	0.3%	6	0.0%	-
Tax reliefs	0.0%	-	0.0%	-
Changes to estimates for prior years	0.0%	-	2.2%	39
Total tax expense	10.3%	225	12.2%	217

The main rate of corporation tax in the Isle of Man is 0.0% (2022: 0.0%), however the profits of the Group's Isle of Man banking activities are taxed at 10.0% (2022: 10.0%). The profits of the Group's subsidiaries that are subject to UK corporation tax are taxed at a rate of 25.0% (2022: 19.0%).

The value of temporary differences recognised as a deferred tax liability for the Group is £177,000 (2022: £130,000) and £128,000 (2022: £128,000) for the Bank.

10. Cash and cash equivalents

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Cash at bank and in hand	8,620	14,234	7,382	13,093
Fixed deposits (less than 90 days)	-	1,993	-	1,993
	8,620	16,227	7,382	15,086

Cash at bank includes an amount of £1,653,000 (2022: £56,000) representing receipts which are in the course of transmission.

11. Debt securities

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Financial assets at FVOCI:				
UK Government Treasury Bills	76,129	40,675	76,129	40,675
	76,129	40,675	76,129	40,675

Debt securities are stated at fair value and unrealised changes in the fair value are reflected in equity. There were £1,893,000 of realised gains (2022: £298,000) and £324,000 of unrealised gains (2022: £131,000) during the year.

12. Loans and advances to customers

Group	2023			2022		
	Gross Amount £000	Impairment Allowance £000	Carrying Value £000	Gross Amount £000	Impairment Allowance £000	Carrying Value £000
HP balances	119,641	(4,141)	115,500	87,140	(4,091)	83,049
Finance lease balances	24,878	(3,050)	21,828	21,513	(3,782)	17,731
Unsecured personal loans	75,668	(491)	75,177	42,602	(662)	41,940
Vehicle stocking plans	1,973	-	1,973	1,918	-	1,918
Wholesale funding arrangements	21,503	-	21,503	30,904	-	30,904
Block discounting	47,520	-	47,520	46,294	-	46,294
Secured commercial loans	25,788	(516)	25,272	12,753	(595)	12,158
Secured personal loans	1,171	-	1,171	1,867	(90)	1,777
Government backed loans	41,163	(1,073)	40,090	56,754	(381)	56,373
Property secured	10,080	-	10,080	-	-	-
	369,385	(9,271)	360,114	301,745	(9,601)	292,144

12. Loans and advances to customers (continued)

Bank	2023			2022		
	Gross Amount £000	Impairment Allowance £000	Carrying Value £000	Gross Amount £000	Impairment Allowance £000	Carrying Value £000
HP balances	119,641	(4,141)	115,500	87,140	(4,091)	83,049
Finance lease balances	24,878	(3,050)	21,828	21,513	(3,782)	17,731
Unsecured personal loans	75,668	(491)	75,177	42,602	(662)	41,940
Vehicle stocking plans	1,973	-	1,973	1,918	-	1,918
Wholesale funding arrangements	21,503	-	21,503	30,899	-	30,899
Block discounting	47,520	-	47,520	46,294	-	46,294
Secured commercial loans	25,788	(516)	25,272	12,753	(595)	12,158
Secured personal loans	1,132	-	1,132	1,867	(90)	1,777
Government backed loans	41,163	(1,073)	40,090	56,754	(381)	56,373
Property secured	10,080	-	10,080	-	-	-
	369,346	(9,271)	360,075	301,740	(9,601)	292,139

Collateral is held in the form of underlying assets for HP, finance leases, vehicle stocking plans, block discounting, secured commercial and personal loans, government backed lending, blocked discounting and wholesale funding arrangements.

Allowance for impairment	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 January	9,386	7,352	9,386	7,352
Allowance for impairment made	3,434	7,052	3,434	7,052
Release of allowances previously made	(2,837)	(3,612)	(2,837)	(3,612)
Write-offs	(901)	(1,406)	(901)	(1,406)
Balance at 31 December	9,082	9,386	9,082	9,386

Collective allowance for impairment	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Balance at 1 January	215	255	215	255
Collective allowance for impairment made	656	244	656	244
Release of allowances previously made	(682)	(284)	(682)	(284)
Balance at 31 December	189	215	189	215
Total allowances for impairment	9,271	9,601	9,271	9,601

Advances on preferential terms are available to all Executive Directors, management and staff. As at 31 December 2022, £1,152,609 (2022: £1,028,858) had been lent on this basis. In the Group's ordinary course of business, advances may be made to MFG Shareholders but all such advances are made on normal commercial terms.

As detailed below, at the end of the current financial year 15 loan exposures exceeded 10.0% of the capital base of the Bank and Group, (2022: 6 loan exposures):

Exposure	Outstanding Balance		Facility Limit 2023 £000
	2023 £000	2022 £000	
Block discounting facility	47,520	46,294	78,088
Wholesale funding agreement	21,503	30,904	26,005

12. Loans and advances to customers (continued)

HP and finance lease receivables

Loans and advances to customers include the following HP and finance lease receivables:

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Less than one year	72,426	51,368	72,426	51,368
Between one and five years	72,093	57,285	72,093	57,285
Gross investment in HP and finance lease receivables	144,519	108,653	144,519	108,653

The investment in HP and finance lease receivables net of unearned income comprises:

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Less than one year	68,822	47,646	68,822	47,646
Between one and five years	68,506	53,134	68,506	53,134
Net investment in HP and finance lease receivables	137,328	100,780	137,328	100,780

13. Trade and other receivables

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Prepayments and other debtors	3,163	1,690	3,573	1,576
	3,163	1,690	3,573	1,576

14. Property and equipment

Group	Leasehold improvements £000	IT equipment £000	Furniture and equipment £000	Vehicles £000	Right-of- use assets £000	Total £000
Cost						
As at 1 January 2023	333	344	145	40	1,398	2,260
Additions	93	124	123	-	-	340
Disposals	-	-	-	-	-	-
As at 31 December 2023	426	468	268	40	1,398	2,600
Accumulated depreciation						
As at 1 January 2023	207	244	52	27	123	653
Charge for the year	40	67	35	7	163	312
Eliminated on disposals	-	-	-	-	-	-
As at 31 December 2023	247	311	87	34	286	965
Carrying value at 31 December 2023	179	157	181	6	1,112	1,635
Carrying value at 31 December 2022	126	100	93	13	1,275	1,607

Included in vehicles depreciation charge for the year is depreciation on leasing assets of £nil (2022: £16,000).

14. Property and equipment (continued)

Bank	Leasehold Improvements £000	IT Equipment £000	Furniture and equipment £000	Vehicles £000	Right-of- use assets £000	Total £000
Cost						
As at 1 January 2023	271	276	100	40	1,020	1,707
Additions	3	87	69	-	-	159
Disposals	-	-	-	-	-	-
As at 31 December 2023	274	363	169	40	1,020	1,866
Accumulated depreciation						
As at 1 January 2023	203	201	50	27	117	598
Charge for the year	9	46	16	7	94	172
Eliminated on disposals	-	-	-	-	-	-
As at 31 December 2023	212	247	66	34	211	770
Carrying value at 31 December 2023	62	116	103	6	809	1,096
Carrying value at 31 December 2022	68	75	50	13	903	1,109

Included in vehicles depreciation charge for the year is depreciation on leasing assets of £nil (2022: £16,000).

15. Intangible assets

Group	Intellectual property rights £000	IT software £000	Total £000
Cost			
As at 1 January 2023	797	1,662	2,459
Additions	748	391	1,139
Disposals	-	-	-
As at 31 December 2023	1,545	2,053	3,598
Accumulated amortisation			
As at 1 January 2023	205	1,370	1,575
Charge for year	223	125	348
As at 31 December 2023	428	1,495	1,923
Carrying value at 31 December 2023	1,117	558	1,675
Carrying value at 31 December 2022	592	292	884
Bank			
Cost			
As at 1 January 2023	731	1,615	2,346
Additions	746	391	1,137
Disposals	-	-	-
As at 31 December 2023	1,477	2,006	3,483
Accumulated amortisation			
As at 1 January 2023	170	1,334	1,504
Charge for year	210	117	327
As at 31 December 2023	380	1,451	1,831
Carrying value at 31 December 2023	1,097	555	1,652
Carrying value at 31 December 2022	561	281	842

16. Investment in Group undertakings

The Bank has the following investments:

Name	Nature of business	31 December 2023 Holding %	Date and place of incorporation	Cost of	Cost of
				investment 2023 £	investment 2022 £
Conister Finance & Leasing Ltd	Consumer finance	100.0	26.2.1996#	1	1
Conister Legal Management Services Limited	Litigation finance	100.0	13.2.2004#	1	1
Manx Financial Limited	Asset finance	100.0	10.12.1999#	1,001,000	1,001,000
Transbank Card Services Limited	Dormant	100.0	12.6.2007^	1	1
Transbank Limited	Dormant	100.0	31.1.2006#	1	1
Total investment at cost				1,001,004	1,001,004

Incorporated within the Isle of Man.

^ Incorporated within the United Kingdom.

Amounts due from and to Group Companies

Amounts due from and to Group undertakings relate to intra-group transactions and are unsecured, interest-free and repayable on demand. The amounts will be settled either through cash or net settlement.

17. Goodwill

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Acquisition of Manx Collections Limited ("MCL") loan book	348	348	348	348
Acquisition adjustment MCL	211	211	211	211
Impairment MCL	(111)	(111)	(111)	(111)
	448	448	448	448

The goodwill recognised on acquisition of MCL has been transferred to Manx Financial Group plc (the Bank's parent) as MCL is no longer a subsidiary of the Bank.

18. Deposits from customers

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Retail customers	377,899	291,238	377,899	291,238
Corporate customers	12,522	12,961	12,522	12,961
	390,421	304,199	390,421	304,199

19. Creditors and accrued charges

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Commission creditors	174	2,121	173	2,121
Lease liability	1,147	1,286	830	905
Other creditors and accruals	2,872	1,993	3,211	1,311
	4,193	5,400	4,214	4,337

20. Subordinated loans

MFG has issued the following subordinated loans to the Bank:

Group and Bank		Interest rate	2023	2022
Creation	Maturity	% pa.	£000	£000
22 July 2013	22 July 2033	7.0	1,000	1,000
25 October 2013	25 October 2033	7.0	1,000	1,000
11 February 2014	11 February 2034	7.0	500	500
27 May 2014	27 May 2034	7.0	500	500
9 July 2014	9 July 2034	7.0	500	500
17 September 2014	17 September 2034	7.0	400	400
23 September 2016	23 September 2036	7.0	1,100	1,100
12 May 2017	12 May 2037	7.0	450	450
24 May 2018	24 May 2038	7.0	2,000	2,000
23 March 2023	23 March 2043	7.0	6,500	-
			13,950	7,450

21. Pension liability

The Conister Trust Pension and Life Assurance Scheme ("Scheme") operated by the Bank is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary. The Scheme is closed to new entrants and the last active member of the Scheme left pensionable service in 2011.

The Scheme is approved in the Isle of Man by the Assessor of Income Tax under the Income Tax (Retirement Benefit Schemes) Act 1978 and must comply with the relevant legislation. In addition, it is registered as an authorised scheme with the FSA in the Isle of Man under the Retirement Benefits Scheme Act 2000. The Scheme is subject to regulation by the FSA but there is no minimum funding regime in the Isle of Man.

The Scheme is governed by two corporate trustees, Conister Bank Limited and Boal & Co (Pensions) Limited. The trustees are responsible for the Scheme's investment policy and for the exercise of discretionary powers in respect of the Scheme's benefits.

The rules of the Scheme state: "*Each Employer shall pay such sums in each Scheme Year as are estimated to be required to provide the benefits of the Scheme in respect of the Members in its employ.*"

Exposure to risk

The Bank is exposed to the risk that additional contributions will be required in order to fund the Scheme as a result of poor experience. Some of the key factors that could lead to shortfalls are: -

- investment performance - the return achieved on the Scheme's assets may be lower than expected; and
- mortality - members could live longer than foreseen. This would mean that benefits are paid for longer than expected, increasing the value of the related liabilities.

In order to assess the sensitivity of the Scheme's pension liability to these risks, sensitivity analyses have been carried out. Each sensitivity analysis is based on changing one of the assumptions used in the calculations, with no change in the other assumptions. The same method has been applied as was used to calculate the original pension liability and the results are presented in comparison to that liability. It should be noted that in practice it is unlikely that one assumption will change without a movement in the other assumptions; there may also be some correlation between some of these assumptions. It should also be noted that the value placed on the liabilities does not change on a straight line basis when one of the assumptions is changed. For example, a 2.0% change in an assumption will not necessarily produce twice the effect on the liabilities of a 1.0% change.

No changes have been made to the method or to the assumptions stress-tested for these sensitivity analyses compared to the previous period. The investment strategy of the Scheme has been set with regard to the liability profile of the Scheme. However, there are no explicit asset-liability matching strategies in place.

21. Pension liability (continued)

Restriction of assets

No adjustments have been made to the balance sheet items as a result of the requirements of IFRIC 14 issued by International Accounting Standards Board's International Financial Reporting Interpretations Committee.

Scheme amendments

There have not been any past service costs or settlements in the financial year ending 31 December 2023 (2022: none).

Funding policy

The funding method employed to calculate the value of previously accrued benefits is the Projected Unit Method. Following the cessation of accrual of benefits when the last active member left service in 2011, regular future service contributions to the Scheme are no longer required. However, additional contributions will still be required to cover any shortfalls that might arise following each funding valuation.

The most recent triennial full actuarial valuation was carried out at 31 March 2022, which showed that the market value of the Scheme's assets was £1,432,000 representing 65.2% of the benefits that had accrued to members, after allowing for expected future increases in earnings. As required by IAS 19: Employee Benefits, this valuation has been updated by the actuary as at 31 December 2023.

The amounts recognised in the consolidated statement of financial position are as follows:

	2023	2022
	£000	£000
Total underfunding in funded plans recognised as a liability		
Fair value of plan assets	1,359	1,289
Present value of funded obligations	<u>(1,521)</u>	<u>(1,526)</u>
	(162)	(237)

	2023	2022
	£000	£000
Movement in the liability for defined benefit obligations		
Opening defined benefit obligations at 1 January	1,526	2,230
Benefits paid by the plan	(77)	(75)
Interest on obligations	74	44
Actuarial gain	<u>(2)</u>	<u>(673)</u>
Liability for defined benefit obligations at 31 December	1,521	1,526

	2023	2022
	£000	£000
Movement in plan assets		
Opening fair value of plan assets at 1 January	1,289	1,543
Interest on plan assets	63	30
Contribution by employer	57	57
Return on plan assets	27	(266)
Benefits paid	<u>(77)</u>	<u>(75)</u>
Closing fair value of plan assets at 31 December	1,359	1,289

	2023	2022
	£000	£000
Expense recognised in statement of profit or loss and other comprehensive income		
Net interest cost recognised in the statement of profit and loss	11	14

21. Pension liability (continued)

	2023 £000	2022 £000
Actuarial gain recognised in statement of other comprehensive income		
Return / (loss) on plan assets	27	(266)
Actuarial gain on defined benefit obligations	2	673
	29	407

Plan assets consist of the following	2023 %	2022 %
Equity securities	45	61
Corporate bonds	20	13
Government bonds	28	21
Cash	2	2
Other	5	3
	100	100

The actuarial assumptions used to calculate scheme liabilities under IAS 19 are as follows:

	2023 %	2022 %
Rate of increase in pension in payment:		
- service up to 5 April 1997	-	-
- service from 6 April 1997 to 13 September 2005	3.1	3.1
- service from 14 September 2005	2.1	2.1
Rate of increase in deferred pensions	5.0	5.0
Discount rate applied to scheme liabilities	5.0	5.0
Inflation	3.2	3.2

Life expectancy	2023 %	2022 %
Current pensioner aged 65 (male)	21.3	21.6
Current pensioner aged 65 (female)	23.8	23.9
Future pensioner aged 65 in 10 years (male)	21.8	22.1
Future pensioner aged 65 in 10 years (female)	24.5	24.7

The assumptions used by the actuary are best estimates chosen from a range of possible assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Effect in £'000	2023		2022	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(76)	84	(79)	87
Inflation rate (0.5% movement)	20	(18)	18	(20)
Life expectancy (1 year movement)	58	(58)	53	(55)

22. Called up share capital

Authorised: Ordinary shares of 25p each	Number	£000
As at 31 December 2023	150,000,000	37,500
As at 31 December 2022	100,000,000	25,000

Issued and fully paid: Ordinary shares of 25p each	Number	£000
As at 31 December 2023	84,000,000	21,000
As at 31 December 2022	66,000,000	16,500

23. Analysis of changes in financing during the year

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Opening balance	23,950	22,950	23,950	22,950
Issue of shares	4,500	1,000	4,500	1,000
Issue of subordinated loans	6,500	-	6,500	-
Closing balance	34,950	23,950	34,950	23,950

The closing balance is represented by £21,000,000 share capital (2022: £16,500,000) and £13,950,000 subordinated loans (2022: £7,450,000).

24. Regulator

The Bank is licensed to undertake banking activities by the FSA and the PRA. In addition, the Bank is regulated by the Financial Conduct Authority in the United Kingdom for credit and brokerage related activities.

25. Related party transactions

Ninkasi Rentals & Finance Limited ("NRFL") and Payment Assist Limited ("PAL") are subsidiaries of Manx Financial Group PLC ("MFG").

Cash deposits

During the year, the Bank held cash on deposit on behalf of Jim Mellon (Executive Chairman of MFG). Total deposits amounted to £4,502 (2022: £94,475), at normal commercial interest rates in accordance with the standard rates offered by the Bank.

Staff and commercial loans

Details of staff loans are given in note 12 to the Financial Statements.

Commercial loans have been made to Salutem SL Bidco I Ltd, connected to Ian Morley. As at 31 December 2023, there was £nil of capital and interest outstanding (2022: £1,228,334).

Intercompany recharges

Various intercompany recharges are made during the course of the year as a result of the Bank settling debts in other Group companies. Edgewater Associates Limited ("EWA") provides services to the Bank in arranging its insurance and defined contribution pension arrangements.

Loan advance to BLX

A total £7,876,000 loan facility is available to BLX to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £5,623,000 (2022: £5,506,255) had been advanced to BLX. This loan facility is repayable in cash.

Loan advance to Ninkasi Rentals & Finance Limited ("NRFL")

A total £4,400,000 loan facility is available to NRFL to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £4,400,000 (2022: £4,443,040) had been advanced to NRFL. This loan facility is repayable in cash.

Loan advance to Payitmonthly Limited ("PIM")

A total £2,677,000 loan facility is available to PIM to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £2,677,000 (2022: £1,240,855) had been advanced to PIM. This loan facility is repayable in cash.

25. Related party transactions (continued)

Loan advance to Rivers Finance Group PLC ("RFG")

A total £8,630,000 loan facility is available to RFG to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £7,530,000 (2022: £2,737,759) had been advanced to RFG. This loan facility is repayable in cash.

As part of a finance arrangement between the Bank and Rivers Finance Group Plc ("RFG"), Manx Ventures Limited ("MVL") (a related entity) acquired a 10% shareholding in RFG.

Loan advance to Payment Assist Limited ("PAL")

An Integrated Wholesale Finance Agreement ("IWFA") facility of £60,000,000 (2022: £28,000,000) and a Block facility of £7,602,000 (2022: £7,634,000) loan facility is available to PAL to provide the finance required to expand its operations. At 31 December 2023, £54,469,719 (2022: £24,755,000) and £3,550,011 (2022: £5,674,000) had been advanced to PAL under the IWFA and Block facility respectively. This loan facility is repayable in cash.

Loan advance to Lesley Stephen & Co Limited ("LSC")

A total £10 million loan facility is available to LSC to provide the finance required to expand its operations. Interest is charged at commercial rates. At 31 December 2023, £10 million had been advanced to LSC. As part of a finance arrangement between the Bank and LSC, Manx Ventures Limited ("MVL") (a related entity) acquired a 10% shareholding in RFG. This loan facility is repayable in cash.

All above loan facilities are contracted to be settled in cash.

Key management personnel remuneration including Executive Directors

	2023 £000	2022 £000
Remuneration - executive Directors	920	732
Remuneration - non-executive Directors	362	294
Performance Related Pay	64	59
Pension	125	86

26. Leases

The Group leases the head office building in the Isle of Man. The lease typically run for a period of 10 years with an option to renew the lease after that date. Lease payments are renegotiated every 10 years to reflect market rentals.

The Group leases an office unit in the United Kingdom and IT equipment with contract terms of 2 to 3 years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

Group	Land and buildings £000	Total £000
Cost		
As at 1 January 2023	1,398	1,398
Additions	-	-
Disposals	-	-
As at 31 December 2023	1,398	1,398
Accumulated depreciation		
As at 1 January 2023	123	123
Charge for the year	163	163
Eliminated on disposals	-	-
As at 31 December 2023	286	286
Carrying value at 31 December 2023	1,112	1,112
Carrying value at 31 December 2022	1,275	1,275

For company only right of use asset disclosure, refer to note 14.

26. Leases (continued)

ii. Amounts recognised in profit or loss

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Interest on lease liabilities	93	56	65	
Depreciation expense	163	99	94	93
Expenses relating to short-term leases and low-value assets	-	-	-	-

iii Amounts recognised in statement of cash flows

	Group		Bank	
	2023 £000	2022 £000	2023 £000	2022 £000
Total cash outflow for leases	139	68	75	71

27. Non-IFRS measures

Non-IFRS measures included in the financial statements include the following:

Measure	Description
Net trading income	Net trading income represents net interest income and contributions from non-interest income activities.
Operating income	Operating income represents net trading income other operating income and gains or losses on financial instruments

28. Regulators

Certain Group subsidiaries are regulated by the FSA and the PRA and the FCA as detailed below.

The Bank is regulated by the FSA and the PRA for Deposit Taking licence and EAL is regulated by the FSA for Class 2 - Investment Business licence respectively. The Bank and CFL are regulated by the FCA to provide regulated products and services.

29. Contingent liabilities

The Bank is required to be a member of the Isle of Man Government Depositors' Compensation Scheme which was introduced by the Isle of Man Government under the Banking Business (Compensation of Depositors) Regulations 1991 and creates a liability on the Bank to participate in the compensation of depositors should it be activated. In addition, the Bank is a member of the UK's FSCS.

The possibility of an outflow of resources embodying economic benefits for all other contingent liabilities of the Group are considered remote and thus do not require separate disclosure.

30. Subsequent events

There were no significant subsequent events that occurred after the year ended 31 December 2023.