Rothschild & Co

Rothschild & Co Bank International Limited

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

31 December 2024

Rothschild & Co
rothschildandco.com

Cover image:
Staircase within
New Court

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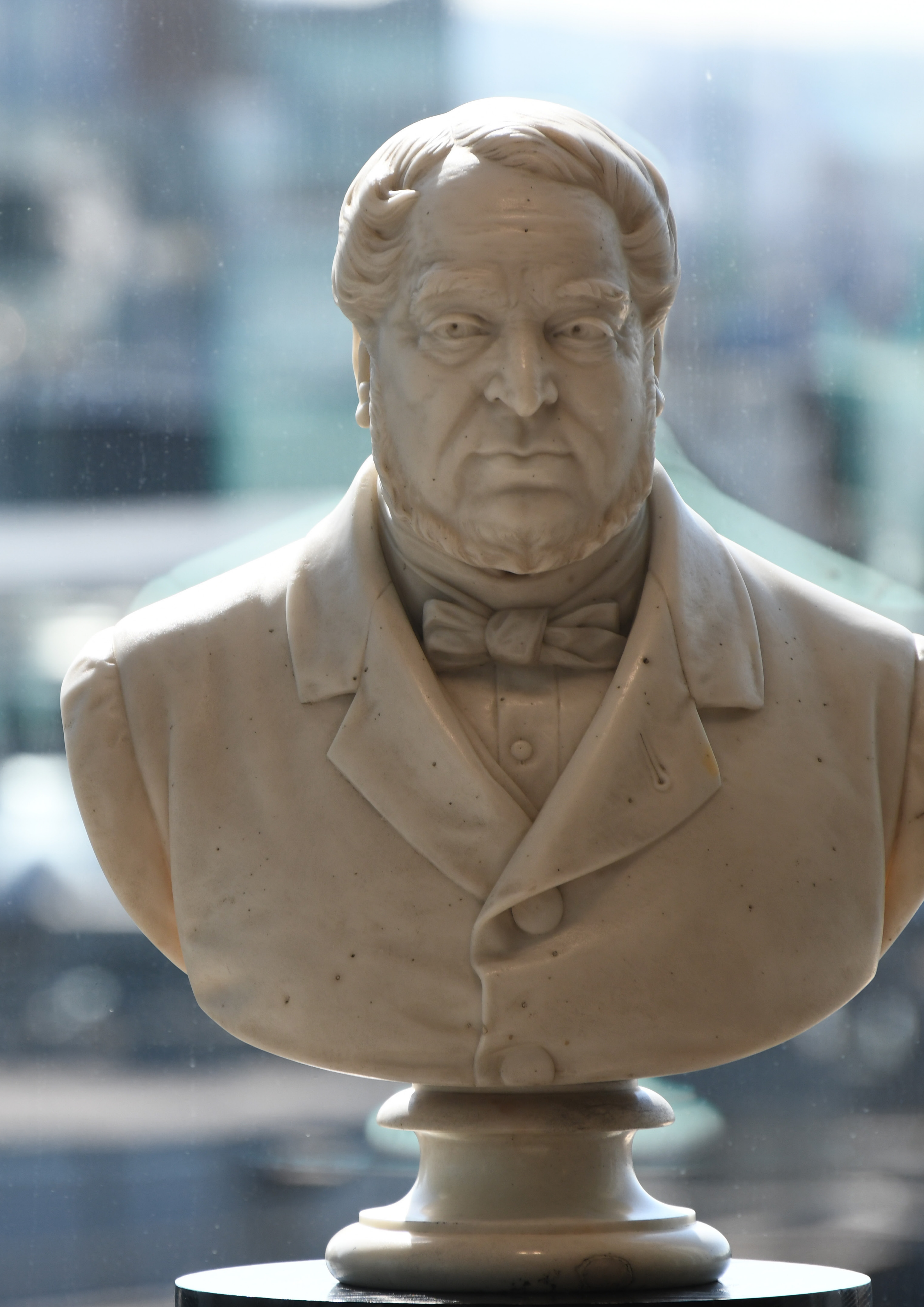

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Company Information

Chairman

Christopher Coleman

Managing Director

David Oxburgh

Non-Executive Directors

Christian Bouet
Sinead Granville
Vic Holmes
Frances Watson

Independent Auditor

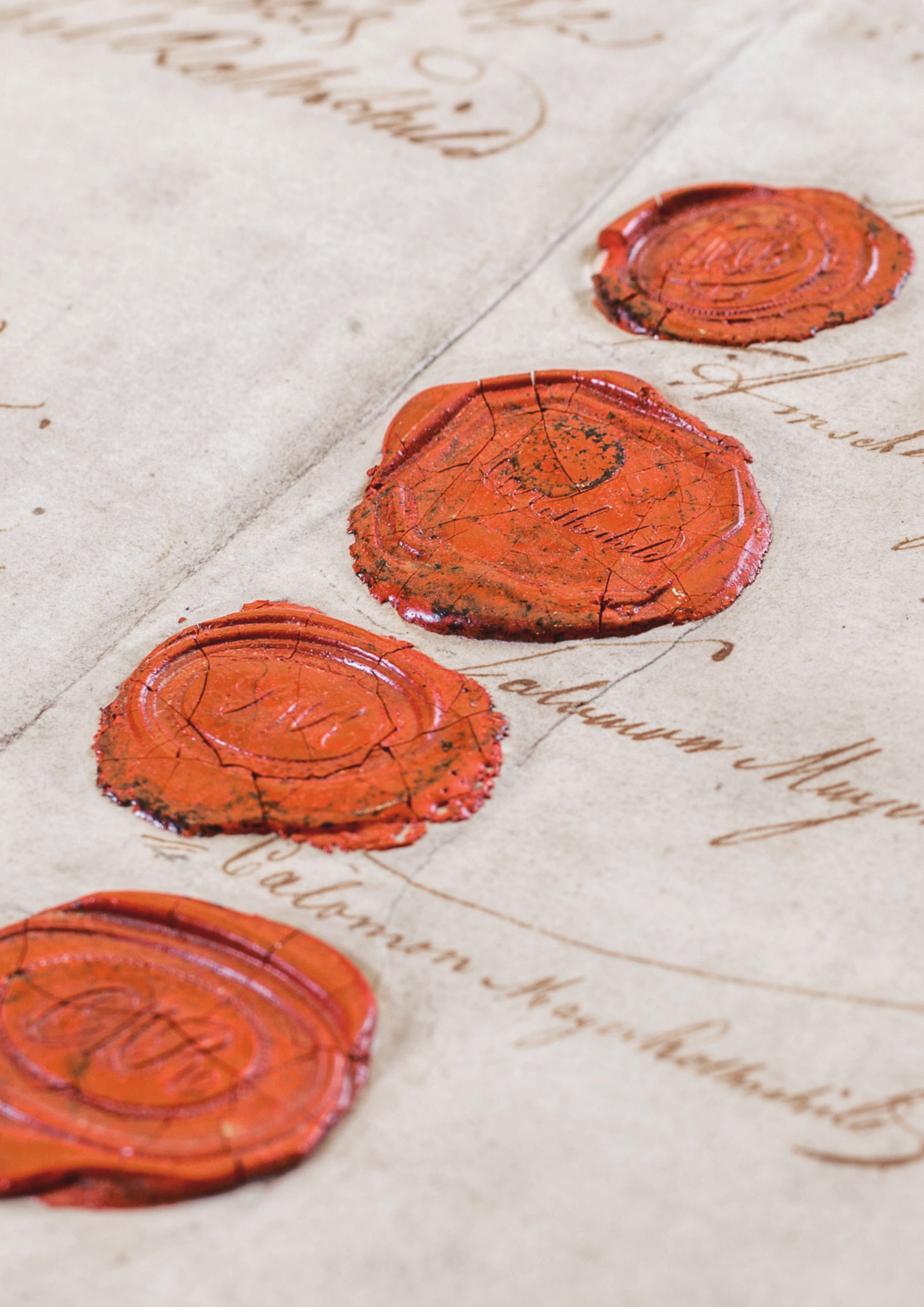
KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey, Channel Islands
GY1 1WR

Registered Office

St Julian's Court
St Julian's Avenue
St Peter Port
Guernsey
GY1 3BP

Registered Number

1088



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Chairman's Statement

Rothschild & Co Bank International Limited ("the Bank") recorded a profit after tax of £20.6m for the year ended 31 December 2024. This compares with a profit after tax of £18.4m for the year ended 31 December 2023.

The Bank continues to have a strong franchise in the private client lending and deposit taking markets, providing high quality customer service to a long-standing client base. It continues to build its private client lending business which is focused on mortgages secured against residential property in the UK and Channel Islands to private individuals, trusts and company structures.

The Bank also provides a range of wealth management services. The Rothschild & Co Group has some of the world's most successful families, entrepreneurs, foundations and charities amongst its clients. The investment philosophy is built around wealth preservation and seeks to protect capital, smooth returns and dampen risk across the market cycle.

We continue to invest in our digital offerings to improve client experience and strengthen security.

I am grateful to my colleagues on the Board for their ongoing contribution and to all the staff for their commitment and hard work over the year.

Christopher Coleman
Chairman
24 February 2025

Report of the Directors

The Directors present their annual report and audited financial statements (the “financial statements”) for the year ended 31 December 2024.

Principal Activities and Business Review

Rothschild & Co Bank International Limited (“the Company” or “the Bank”) provides a comprehensive range of banking and financial services. A review of the activities of the Bank for the year is contained in the Chairman’s Statement on page 5.

Results and Dividends

The profit for the year attributable to shareholders after tax was £20,596,000 (2023: £18,374,000). During the year dividends of £7,000,000 were paid to the shareholders (2023: £7,700,000).

Future Developments

The outlook for the world economy continues to be impacted by geopolitical and macroeconomic factors. The Directors have considered this in relation to the Bank’s lending book and the level of provisions thereon. The provision made by the Bank is based on agreed models which assesses the credit quality of the borrower to determine an expected credit loss over a period of 12 months. Recent valuations of collateral are obtained to assist in assessing credit ratings. The impact of these ongoing factors on the ability of our clients to repay their loans in full at their contractual maturity dates appears to be limited. The Directors believe the level of provisions as at 31 December 2024 remains adequate given our approach to the calculation of provisions and the strategy of seeking repayment of the loans over the medium term. The Bank will continue to keep the level of provisions under review.

Going Concern

Management has performed an assessment to determine whether there are any material uncertainties arising that could cast significant doubt on the ability of the Bank to continue as a going concern. No significant issues have been noted and it was concluded that there is no impact to going concern.

The Board of Directors has considered the resilience of the Bank, taking into account its current financial position, and the principal and emerging risks facing the business and their potential implications for the Bank’s financial performance.

The Board reviewed liquidity forecasts for a period of 12 months, including applying stressed scenarios, from the date of approval of these financial statements which indicate that, taking account of downsides which could reasonably be anticipated, the Bank has sufficient funds to meet its liabilities as they fall due for that period. The Board has concluded that the Bank has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements as disclosed in note 2.

Corporate Responsibility

We encourage a culture of responsible business and proactively take responsibility for the impact that the Bank has on our people, our industry, our communities and our planet. The Bank is an active participant in the Rothschild & Co Group’s (“Group’s”) Corporate Social Responsibility arrangements which are detailed in the Group’s Corporate Responsibility Report, available on the Rothschild & Co website at www.rothschildandco.com.

The sum of £38,000 was charged against the profits of the Bank during the year (2023: £29,000) in respect of gifts for charitable purposes.

Staff

During the year the Bank continued with its long-established policy of providing employees with information on matters of concern to them and on developments within the Bank by a series of notices to staff. The interest of all staff in the performance of the Bank is realised through the Bank’s profit-sharing scheme in which staff at all levels participate.

Applications for employment by disabled persons are fully and fairly considered having regard to the aptitudes and abilities of each applicant. Efforts are made to enable employees who become disabled during employment to continue their career with the Bank.

Directors

The names of the directors of the Bank who served throughout the year are as follows:

C. Coleman	V. Holmes
C. Bouet	D. Oxburgh
S. Granville	F. Watson

Statement of Directors' Responsibilities

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

Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 proper accounting records which 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 (Guernsey) Law, 2008 and the Banking Supervision (Bailiwick of Guernsey) Law, 2020. 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.

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

Disclosure of information to auditor

The Directors who hold office at the date of approval of this Report of the Directors confirm that so far as they are aware, there is no relevant audit information of which the Bank's auditor is unaware, and that each director has taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Insurance for directors and officers

During the year the Bank purchased and maintained cover for directors and officers under directors' and officers' liability insurance policies.

Auditor

KPMG Channel Islands Limited retire as auditor and are eligible for re-appointment.

By order of the Board

David Oxburgh, Director

St Julian's Court, St Peter Port, Guernsey

24 February 2025

Independent Auditor's Report

Independent Auditor's Report to the Member of Rothschild & Co Bank International Limited

Our opinion is unmodified

We have audited the financial statements of Rothschild & Co Bank International Limited (the "Company"), which comprise the statement of financial position as at 31 December 2024, the income statement, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2024, and of the Company's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards;
- comply with the Companies (Guernsey) Law, 2008; and
- have been properly prepared in accordance with The Banking Supervision (Bailiwick of Guernsey) Law, 2020.

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 Company 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 financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company'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 its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company'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 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 Company'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 Company 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 Company'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 Company'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 any 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 financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Company is subject to laws and regulations that directly affect the 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 Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or impacts on the Company'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 Company'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 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 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 financial statements and our auditor's report thereon. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, 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 (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company 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 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 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 Company's member

This report is made solely to the Company's member, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's member, as a body, for our audit work, for this report, or for the opinions we have formed.

KPMG Channel Islands Limited

Chartered Accountants

Guernsey

27 February 2025

Income Statement
For the year ended 31 December 2024

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Interest and similiar income	5	156,621	108,957
Interest expense and similar charges	5	(128,506)	(83,920)
Net interest income		**28,115**	**25,037**
Net fee and commission income	6	3,802	3,654
Gains on all financial instruments at fair value through profit or loss	7	3,916	2,828
Total operating income		**35,833**	**31,519**
Other income		-	14
Impairment recovery/(loss) on financial instruments	11	123	(512)
Net operating income		**35,956**	**31,021**
Operating expenses	8	(12,627)	(10,786)
Depreciation	16, 17	(394)	(390)
Operating profit before tax		**22,935**	**19,845**
Share of results of equity-accounted investee	15	-	68
Profit before tax		**22,935**	**19,913**
Income tax expense	10	(2,339)	(1,539)
Profit attributable to equity holders of the Company		**20,596**	**18,374**

The notes on pages 16 to 51 form an integral part of these financial statements.

Statement of Comprehensive Income For the year ended 31 December 2024

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Profit for the financial year		20,596	18,374
Other comprehensive income, net of income tax			
Items that will never be reclassified to profit or loss			
- Actuarial gains/(losses) on defined benefit pension plans	21	1,806	(3,157)
- Income tax on actuarial gains/loss on defined benefit pension plans		(178)	316
Total comprehensive income for the financial year		22,224	15,533

	Note	31-Dec-24 £	31-Dec-23 £
Basic and diluted Earnings per Ordinary Share	27	1.37	1.22

The notes on pages 16 to 51 form an integral part of these financial statements.

Statement of Financial Position As at 31 December 2024

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Assets			
Loans and advances to banks	11, 13	2,027,163	1,429,783
Derivative financial instruments	12, 13	45,750	42,679
Debt securities	14	204,480	78,827
Loans and advances to customers	11	721,089	805,491
Right-of-use assets - leasehold property	16	912	1,166
Property, plant and equipment	17	345	435
Other assets	18	17,523	19,030
Deferred tax assets	20	92	116
Total assets		**3,017,354**	**2,377,527**
Liabilities			
Deposits by banks	13	37,396	47,480
Due to customers	13	2,779,376	2,141,717
Derivative financial instruments	12,13	42,766	44,020
Current tax liabilities	10	1,015	426
Deferred tax liabilities	20	1,459	935
Lease liabilities - property	16	1,002	1,231
Other liabilities	19	14,520	17,122
Total liabilities		**2,877,534**	**2,252,931**
Equity			
Share capital	26	15,000	15,000
Retained earnings		128,754	115,158
Reserves		(3,934)	(5,562)
Total shareholders' equity		**139,820**	**124,596**
Total equity and liabilities		**3,017,354**	**2,377,527**

The financial statements on pages 11 to 51 were approved by the Board of Directors on 24 February 2025 and were signed on its behalf by:

David Oxburgh, Director

Christopher Coleman, Chairman

The notes on pages 16 to 51 form an integral part of these financial statements.

Statement of Changes in Equity For the year ended 31 December 2024

	Note	Share capital £'000	Defined benefit pension reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2024		15,000	(5,562)	115,158	124,596
Total comprehensive income for the year					
Profit attributable to equity holders		-	-	20,596	20,596
Other comprehensive income, net of income tax					
Actuarial gains/(losses) on defined benefit pension plans	21	-	1,806	-	1,806
Income tax on actuarial gains/losses on defined benefit pension plans		-	(178)	-	(178)
Total comprehensive income for the year		-	1,628	20,596	22,224
Transactions with owners recorded directly in equity					
Issue of shares	26	-	-	-	-
Dividends to equity holders	23	-	-	(7,000)	(7,000)
Balance at 31 December 2024		15,000	(3,934)	128,754	139,820
Balance at 1 January 2023		15,000	(2,721)	104,484	116,763
Total comprehensive income for the year					
Profit attributable to equity holders		-	-	18,374	18,374
Other comprehensive income, net of income tax					
Actuarial gains/(losses) on defined benefit pension plans	21	-	(3,157)	-	(3,157)
Income tax on actuarial gains/(losses) on defined benefit pension plans		-	316	-	316
Total comprehensive income for the year		-	(2,841)	18,374	15,533
Transactions with owners recorded directly in equity					
Issue of shares	26	-	-	-	-
Dividends to equity holders	23	-	-	(7,700)	(7,700)
Balance at 31 December 2023		15,000	(5,562)	115,158	124,596

The notes on pages 16 to 51 form an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2024

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Cash flow from / (used in) operating activities			
Profit for the financial year		20,596	18,374
Adjustments for:			
Impairment (recovery)/losses on financial instruments	11	(123)	512
Depreciation	16, 17	394	390
Net interest income	5	(28,115)	(25,037)
Income tax expense	10	2,339	1,539
Share of operating profit/(loss) of equity-accounted investee	15	-	(68)
		(4,909)	**(4,290)**
Changes in:			
Net due from banks (excluding cash equivalents)		1,400	(851)
Derivative financial instruments (assets)		(3,071)	28,230
Debt securities		(125,653)	(18,542)
Current tax assets		-	517
Accrued income, prepaid expenses and other assets		3,135	(5,186)
Loans and advances to customers		87,414	(21,232)
Deposits by banks and due to customers		626,607	80,194
Derivative financial instruments (liabilities)		(1,254)	(22,923)
Other liabilities		(2,602)	3,372
		581,067	**39,289**
Interest received		153,609	109,946
Interest paid		(127,538)	(85,907)
Lease payments	16	(255)	(255)
Income taxes paid	10	(1,384)	(2,153)
Income taxes received	10	-	517
Net cash flow from operating activities		**605,500**	**61,437**
Cash flow from investing activities			
Dividends received from equity-accounted investee	15	-	125
Disposal/(Purchase) of property, plant and equipment	17	(50)	(17)
Net cash flow from investing activities		**(50)**	**108**
Cash flow used in financing activities			
Dividends paid		(7,000)	(7,700)
Net cash flow used in financing activities		**(7,000)**	**(7,700)**
Net (decrease)/increase in cash and cash equivalents		**598,449**	**53,845**
Cash and cash equivalents at the beginning of the year		1,428,382	1,374,860
Effect of foreign exchange		331	(323)
Cash and cash equivalents at the end of the year	**24**	**2,027,163**	**1,428,382**

The notes on pages 16 to 51 form an integral part of these financial statements.

Notes to the financial statements For the year ended 31 December 2024

1. Company information

Rothschild & Co Bank International Limited (the "Bank" or "Company") is incorporated in Guernsey. The Bank provides a comprehensive range of banking and financial services.

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations applicable to companies reporting under IFRS. The financial statements give a true and fair view and are in compliance with applicable legal and regulatory requirements of the Companies (Guernsey) Law, 2008 and The Banking Supervision (Bailiwick of Guernsey) Law, 2020.

The financial statements are prepared under the historical cost convention, except for the following material items in the statement of financial position:

- all derivative contracts and commodities held for trading or hedging purposes are stated at their fair value;
- equity investments designated at fair value.

The principal accounting policies set out below have been consistently applied in the presentation of the Bank's financial statements.

Going concern

The Directors have performed an assessment to determine whether there are any material uncertainties that could cast significant doubt on the ability of the Bank to continue as a going concern. No significant issues have been noted and it was concluded that there is no impact to going concern.

In addition, the Directors have considered the Bank's exposures to credit, market and liquidity risk as set out in note 4 to the financial statements.

Based on the above assessment of the Bank's financial position the Directors have concluded that the Bank has adequate resources to continue in operational existence for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed). Accordingly, the Bank continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The Bank does not consolidate the results of its subsidiary as it is dormant (see note 29).

Changes to accounting standards

The IASB has issued other minor amendments to IFRS effective since 1 January 2025. These revised requirements do not have any significant impact on the Bank.

New standards and interpretations

A number of new standards, amendments to standards and interpretations (listed in the table below) are effective for accounting periods ending after 31 December 2024 and therefore have not been applied in preparing these financial statements. The Bank is currently reviewing these new standards to determine their effects on the Bank's financial reporting.

Standard	Effective date
Lack of exchangeability (Amendments to IAS 21)	1 January 2025
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures)	Deferred indefinitely, however, early adoption continues to be permitted
Classification and Measurement of Financial Instruments – Amendments of IFRS 9 and IFRS 7	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027

3. Material accounting policies

Functional and presentational currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in pounds sterling, which is the Bank's functional and presentation currency and rounded to the nearest thousand unless otherwise stated.

Use of estimates and judgements

The preparation of these financial statements in conformity with IFRSs 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 period affected. The disclosures in the following notes reflect estimates and judgements used by management.

Note 4.2: Measurement of credit risk
Note 13: Fair value of financial instruments
Note 21: Measurement of defined benefit obligation

The Bank has assessed the business model within which the assets are held and has assessed whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Subsidiaries

'Subsidiaries' are investees controlled by the Bank. The Bank 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the financial statements from the date on which control commences until the date when control ceases.

Foreign exchange

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Gains and losses resulting from the settlement of such transactions, and from the translation at period end exchange rates of monetary items that are denominated in foreign currencies, are recognised as part of net operating income in the income statement.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value and are subsequently measured at fair value through profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Notes to the financial statements For the year ended 31 December 2024 (continued)

3. Material accounting policies (continued)

Hedge accounting

The Bank applies fair value hedge accounting when transactions meet the criteria for hedge accounting treatment set out in IFRS 9. At the inception of the hedge, the Bank assesses whether the hedging derivatives meet the effectiveness criteria of IFRS 9 in offsetting changes in the fair value of the hedged items. The Bank then documents the relationship between the hedging instrument and the hedged item. It also records its risk management objectives, its strategy for undertaking the hedge transaction and the methods used to assess the effectiveness of the hedging relationship.

After inception, effectiveness is tested on an on-going basis qualitatively by assessing whether the hedging instruments are expected to be highly effective in offsetting the changes in fair value or cash flows of the respective hedged items during the period of which the hedge is designated, and quantitatively by assessing whether the actual results of each hedge are within a range of 80-125%. Hedge accounting is discontinued when it is determined that a derivative has ceased to be highly effective, or when the derivative or the hedged item is derecognised, or when the forecast transaction is no longer expected to occur.

Fair value hedge accounting

Changes in value of fair value hedge derivatives, both effective and ineffective, are recorded in interest and similar income, together with fair value changes in respect of the risk being hedged. If the hedge no longer meets the criteria for hedge accounting, the difference between the carrying value of the hedged item on termination of the hedging relationship and the value at which it would have been carried had the hedge never existed is amortised to profit or loss over the period to maturity where the hedged item is accounted for using the effective interest rate method.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify, or are not designated, as hedges. Changes in the fair value of any such derivative instrument are recognised immediately in the income statement.

Gains on financial instruments at fair value through the profit or loss account

Trading income arises from movements in the fair value of financial assets at fair value through profit or loss. It also includes gains and losses resulting from the settlement of such transactions and from the translation of monetary items denominated in foreign currencies at the period end exchange rate.

Fee and commission income

Under IFRS 15, revenue is recognized when a customer obtains control of the service.

Fees and commissions that are an integral part of a loan are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate. Those deemed to be a non-integral part of the loan are accounted for on an accruals basis.

The Bank also earns fee and commission income from wealth management for which services are continuously provided over an extended period of time. Revenue is recognised over the period in which the services are provided, once one of the following occurs:

i. The customer consumes the benefits provided by the Bank and another entity would not need to substantially re-perform the work that the Bank has completed to date; or

ii. The Bank has an enforceable right to payment for performance completed to date.

The amount of fee and commission income is based on consideration specified in a legally enforceable contract. The revenue recognised for each mandated service represents a market price, and consideration received is allocated to the separately identifiable performance obligations in a contract.

Interest income and expense

Interest income and expense represents interest arising out of banking activities, including lending and deposit taking business, interest on related hedging transactions and interest on debt securities. Interest on financial instruments, except those classified as held for trading or designated at fair value through profit or loss, is recognised in the income statement using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash flows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Bank considers all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts, as well as all fees and transaction costs that are an integral part of the loan.

Financial assets

The Bank initially recognises loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes party to the contractual provisions of the instrument. On initial recognition, a financial asset is classified as either measured at amortised cost or FVTPL.

Financial assets at amortised cost including debt securities

A financial asset is measured at amortised cost 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 to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 4.2. Interest income from these financial assets is included in “Interest and similar income” using the effective interest method.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for the classification of amortised cost are measured at FVTPL on a mandatory basis.

Notes to the financial statements For the year ended 31 December 2024 (continued)

3. Material accounting policies (continued)

Financial assets at fair value through profit or loss (FVTPL) (continued)

These financial assets are recognised at fair value, with transaction costs recorded immediately in the income statement, and they are subsequently measured at fair value. Gains and losses arising from changes in fair value, or on derecognition, are recognised in the income statement as net gains or losses on financial assets at fair value through profit or loss. Interest and dividend income from financial assets at fair value through profit or loss is recognised in net gains or losses on financial assets at fair value through profit or loss.

Business Model Assessment

The Bank makes an assessment of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Bank considers whether management's strategy focuses on earning interest revenue, maintaining a particular interest profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed on a fair value basis are measured at FVTPL.

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

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, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank 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. In making the assessment, the Bank considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extensions terms;
- leverage features;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets. There are no reclassifications during the year ended 31 December 2024 (31 December 2023: nil).

Financial Liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank 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 Bank's trading activity.

IFRS 9: Impairment

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- loans and advances including financial guarantees and loan commitments;
- debt securities; and
- accounts receivable.

No impairment loss is recognised on equity investments as required by IFRS 9.

The Bank measures loss allowances for the following financial assets as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than accounts receivable) on which credit risk has not increased significantly since their initial recognition.

For the accounts receivable, the Bank uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses at initial recognition, regardless of any changes in the counter party's credit risk.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Expected credit loss measurement

ECL is a probability-weighted estimate of credit losses. It is 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 Bank 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.

More detail on the methodology used to determine the ECL is given in note 4.

Credit-impaired assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and are credit impaired. When an asset is considered as credit impaired, it is also considered to be in default. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial assets have occurred.

Objective evidence that a financial asset or group of assets is credit impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in repayment of interest or principal;
- granting to the borrower, for economic or legal reasons relating to its financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to 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.

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;

Notes to the financial statements For the year ended 31 December 2024 (continued)

3. Material accounting policies (continued)

Write-off

The Bank writes off financial assets (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Loans with renegotiated terms and the Bank's forbearance policy

As refinancing and sale options are typically limited, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and/or to amend the facility terms and/or not to foreclose on the collateral for certain facilities which may be in breach of covenants.

This assumes that the level of collateral is expected to be sufficient to cover the principal and any accrued interest on the facilities.

As at 31 December 2024 the value of loans in breach of covenants which were unimpaired and have not been renegotiated, extended or foreclosed was £nil (31 December 2023: £5,417,215).

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and accumulated impairment losses if any.

Depreciation is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	3 – 5 years
Cars	5 years
Fixtures and fittings	4 years
Leasehold improvements	10 years or the term of the lease, whichever is shorter

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are recognised in the income statement.

Impairment of property, plant and equipment

At each reporting date, or more frequently where events or changes in circumstances dictate, property, plant and equipment are assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

Leases

Definition of a lease

At inception of a contract, the Bank 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.

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

Right of use assets and lease liabilities

The Bank 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. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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 Bank's incremental borrowing rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external funding sources and makes certain adjustments to reflect the terms of the lease and 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;
- Lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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 Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank 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.

The Bank has opted for the exemptions available under IFRS 16 and leases with an asset value of less than £5,000 and with a contract period of less than 12 months, are not accounted for under IFRS 16 and continue so be accounted for as operating leases per the policy above.

The Bank subleases a portion of the property to third parties and these subleases are accounted for as operating subleases therefore no investment in sublease has been recognized.

Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturities of less than three months, including cash, certificates of deposits and loans and advances to banks and are used by the Bank in the management of its short-term commitments.

Pensions

The Bank's post-retirement benefit arrangements are described in note 21. The Bank operates defined benefit and defined contribution pension schemes. For the defined contribution scheme, the contribution payable in respect of the accounting period is recognised in the income statement.

The defined benefit scheme is accounted for using the option permitted by the amendment made to IAS19 – Employee Benefits whereby actuarial gains and losses are recognised in other comprehensive income and presented in the statement of changes in equity.

The amount recognised in the statement of financial position in respect of defined benefit schemes is the difference between the present value of the defined benefit obligation at the reporting date, and the fair value of the plan's assets, if any. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The principal assumptions are set out in note 21. The obligations' present value is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Taxation

Tax payable on profits is recognised in the income statement, except to the extent that it relates to items that are recognised in other comprehensive income.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, ECL loan provisions and provisions for post-retirement benefits. Deferred tax assets are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Notes to the financial statements For the year ended 31 December 2024 (continued)

3. Material accounting policies (continued)

Taxation (continued)

Global minimum top-up tax – International Tax Reform – Pillar Two Model Rules - Guernsey, Jersey and the Isle of Man ('the Islands') have made a joint statement on their intentions in respect of the global initiative to set a minimum effective tax rate for the world's largest multinational enterprises. The Islands intend to implement an "Income Inclusion Rule" and a domestic minimum tax to provide for a 15% effective tax rate for large in-scope multinational enterprises. These rules will only be applicable from 1 January 2025 and therefore do not have any impact on the current taxation regime for the Bank.

Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

Fiduciary activities

The Bank acts as a custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets and the income arising therefore are excluded from these financial statements, as they are not assets of the Bank.

Provisions and contingencies

Provisions are recognised only when the Bank has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

The Bank recognises provisions in respect of onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Bank's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

4. Financial risk management

4.1 Strategy in using financial instruments

The use of financial instruments, including derivatives, is fundamental to the Bank's banking and treasury activities. The Bank provides a range of lending products to its clients and funds these activities by means of deposit-taking and other borrowings.

The Bank invests in debt securities in order to profit from the interest margin over its cost of funds and to provide a portfolio of liquid assets to assist in the management of liquidity risk and to hedge forecast cashflows. Further information on derivative contracts and the Bank's hedging strategies is set out in note 12. The Bank uses derivative financial instruments to meet clients' requirements for proprietary trading and to manage its exposure to interest rate and currency risk. The key risks arising from the Bank's activities involving financial instruments are as follows:

i. Credit risk – the risk of loss arising from client or counterparty default.

ii. Market risk – exposure to changes in market variables such as interest rates and currency exchange rates.

iii. Liquidity and funding risk – the risk that the Bank is unable to meet its obligations as they fall due, or that it is unable to borrow in the market at an acceptable price to fund its commitments.

The identification, measurement and containment of risk is integral to the management of the Bank's business. Risk policies and procedures are regularly updated to meet changing business requirements.

4.2 Credit risk

Credit risk is the risk that a customer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Bank. The Board receives regular reports of credit exposures which include information on large credit exposures. Credit risk limits are set in respect of exposures to individual clients or counterparties.

Exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Bank's lending exposures is secured on investment products or other assets; the Bank monitors the value of any collateral obtained. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest. The Credit Committee reviews credit exposures on loans and debt securities on a quarterly basis.

The loans are classified as follows:

Category 1: The payments of interest and principal are not in doubt.

Category 2: The payments of interest and principal are not in doubt, but borrower requires observation because the position is deteriorating.

Category 3: Further deterioration; the borrower requires very close observation.

Category 4: Exposure is impaired. Partial provision required.

Category 5: Full provision made. Recovery unlikely.

Expected Credit Loss (ECL)

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised overleaf:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.
- 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. See overleaf for a description of how the Bank determines when a SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. See below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- Purchased or originated credit impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Notes to the financial statements For the year ended 31 December 2024 (continued)

4. Financial risk management (continued)

4.2 Credit risk (continued)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are disclosed below.

The following table discloses the maximum exposure to credit risk at the reporting date for financial assets with significant exposure to credit risk, without taking account of collateral held or other credit risk mitigation, and includes the Stage classification in line with the three-stage model for impairment under IFRS 9:

	Stage 1 ECL	Stage 2 ECL		Stage 3 ECL		
	Category 1 £'000	Category 2 £'000	Category 3 £'000	Category 4 £'000	Category 5 £'000	Total
At 31 December 2024						
Loans and advances to banks	2,027,163	-	-	-	-	2,027,163
Gross loans and advances to customers	*718,302*	*2,282*	*877*	*1,482*	-	*722,943*
Impairment on loans and advances to customers	*(643)*	*(11)*	*(66)*	*(1,134)*	-	*(1,854)*
Net loans and advances to customers	717,659	2,271	811	348	-	721,089
Debt securities	204,480	-	-	-	-	204,480
Total	2,949,302	2,271	811	348	-	2,952,732

	Stage 1 ECL	Stage 2 ECL		Stage 3 ECL		
	Category 1 £'000	Category 2 £'000	Category 3 £'000	Category 4 £'000	Category 5 £'000	Total
At 31 December 2023						
Loans and advances to banks	1,429,783	-	-	-	-	1,429,783
Gross loans and advances to customers	*791,861*	*7,795*	*6,330*	*1,482*	-	*807,468*
Impairment on loans and advances to customers	*(717)*	*(44)*	*(196)*	*(1,020)*	-	*(1,977)*
Net loans and advances to customers	791,144	7,751	6,134	462	-	805,491
Debt securities	78,827	-	-	-	-	78,827
Total	2,299,754	7,751	6,134	462	-	2,314,101

Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which are based on the Bank's credit risk management process. This process will include regular monitoring of the exposure, and SICR may include a deterioration in trading results or reduced compliance with financial covenants, potential impacts from macroeconomic or specific market factors, or other competitive or regulatory threats. The Bank has decided that SICR is indicated if the relevant credit committee decides that the credit exposure of a financial asset is Category 2 or 3 (Stage 2). In addition, the Bank considers that a significant increase in credit risk occurs when the asset is more than 30 days past due.

Definition of default and credit impaired assets

Credit-impaired assets and assets that have defaulted are described in note 3. A financial asset that is classified as impaired has been classified as category of 4 or 5.

Measuring ECL – explanations of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12m) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the following factors:

Expected credit losses = Probability of Default (PD) x Exposure at Default (EAD) x Loss Given Default (LGD)

The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the definition of default in our accounting principles), either over the next 12 months (12m PD), or over the remaining lifetime (lifetime PD) of the obligation.

The EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (lifetime EAD). The Bank derives the EAD from the current exposure to the counterparty.

LGD is the percentage of the likely loss if there is a default. The Bank estimates LGD parameters informed by historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery cost of any collateral that is provided to secure the financial asset. For loans secured by property, loan to value (LTV) ratios are a key parameter in determining LGD.

These parameters are generally derived from internally developed models and other historical data.

Grouping if instruments for losses measured on a collective basis

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

Lombard and Mortgage Loans

The Bank has a history of very low defaults on its Lombard and mortgage loans and the PD and the LGD have been determined by the history of observed defaults alongside realistic downside scenarios based on management assessment.

For Lombard loans, the LGD is estimated based on the amount of collateral held, and whether it is diversified or not, as well as the nature of the client and the potential difficulties of recovering the value of the collateral.

For mortgages, the LGD is estimated considering the value of the properties which are mortgaged, and varies based on the LTV; the amount of costs likely to be incurred in recovering and realising any collateral; the nature of the client; and the potential difficulties of recovering the value of the collateral.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

In light of potential longer-term economic impacts due to wider geopolitical and macroeconomic factors, various sensitivities have been run in relation to the potential impact of:

i. Loan gradings downgrades resulting from increased tenant failures and higher void rates; and
ii. Falls in commercial property values.

The Bank makes specific impairment allowances against customer loans where the realisable value of the collateral has reduced below the value of the loan for credit impaired loans. There was one such loan at 31 December 2024 (31 December 2023: one). A general impairment allowance has been made for the same class of loans where the underlying environment is deemed to be such that losses may be incurred on the realisation of the portfolio.

The Bank holds collateral against loans and advances in the form of mortgage interests over property, other securities over assets, and guarantees. Loans to customers have the value of collateral assessed at the time of borrowing. The collateral values are updated regularly for investment price movements and for all assets pledged as collateral when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase activity. Estimates of fair value are calculated daily on reverse repurchase activity, the fair value of collateral held is separately disclosed in note 11.

Collateral is not usually held against debt securities, and no such collateral was held at 31 December 2024 (31 December 2023: no collateral held).

Notes to the financial statements For the year ended 31 December 2024 (continued)

4. Financial risk management (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below.

4.2 Credit risk (continued)

	31-Dec-24 £'000	31-Dec-23 £'000
Against impaired £m		
Property	348	462
Financial	-	-
Against unimpaired		
Property (Residential or commercial property)	509,852	671,491
Financial (Assets under management, cash or collective investments)	2,579,875	7,435,918
Total	**3,090,075**	**8,107,871**

The following table discloses geographically the maximum exposure of the Bank to credit risk on financial assets and off-balance sheet items:

	Loans and advances to banks £m	Loans and advances to customers £m	Derivative financial instruments £m	Debt securities £m	Total financial assets £m	Commitments / Guarantees £m
At 31 December 2024						
UK / Channel Islands	1,373	600	34	204	2,211	12
Europe	654	77	8	-	739	3
Americas	-	24	4	-	28	-
Asia & Australasia	-	19	-	-	19	-
Other Countries	-	1	-	-	1	-
Total	**2,027**	**721**	**46**	**204**	**2,998**	**15**

	Loans and advances to banks £m	Loans and advances to customers £m	Derivative financial instruments £m	Debt securities £m	Total financial assets £m	Commitments / Guarantees £m
At 31 December 2023						
UK / Channel Islands	359	688	6	79	1,132	16
Europe	1,069	66	36	-	1,171	10
Americas	-	39	1	-	40	-
Asia & Australasia	2	6	-	-	8	-
Other Countries	-	6	-	-	6	-
Total	**1,430**	**805**	**43**	**79**	**2,357**	**26**

The table below sets out the credit quality of assets held. The analysis has been based on rating agency Standard and Poor's ratings where applicable.

Rating	AAA £'000	AA- to AA+ £'000	A- to A+ £'000	BBB+ and below £'000	Unrated £'000	Total £'000
At 31 December 2024						
Loans and advances to banks	-	191	997,075	370,041	659,856	2,027,163
Derivative financial instruments	-	-	-	-	45,750	45,750
Loans and advances to customers	-	-	-	-	721,089	721,089
Debt securities	-	204,480	-	-	-	204,480
Total	-	204,671	997,075	370,041	1,426,695	2,998,482

Rating	AAA £'000	AA- to AA+ £'000	A- to A+ £'000	BBB+ and below £'000	Unrated £'000	Total £'000
At 31 December 2023						
Loans and advances to banks	-	63	343,574	2	1,086,144	1,429,783
Derivative financial instruments	-	-	-	-	42,679	42,679
Loans and advances to customers	-	-	-	-	805,491	805,491
Debt securities	-	78,827	-	-	-	78,827
Total	-	78,890	343,574	2	1,934,314	2,356,780

At 31 December 2024, loans and advances to banks includes £653,379,000 (31 December 2023: £1,069,126,000) due from Rothschild & Co. Bank AG, an unrated group bank.

The ratings of the collateral assets have been used for reverse repos disclosed as loans to banks.

4.3 Market risk

Market risk arises as a result of the Bank's activities in interest rate and currency markets and comprises interest rate and foreign exchange risk. During the year, exposure to market risk has continued to be small in relation to capital, as trading activities have been focused on servicing client requirements rather than on proprietary risk-taking.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's foreign exchange exposure arises from providing services to customers. The Bank's policy is to hedge against currency risks by engaging in forward currency transactions and currency swaps. The Treasury Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions.

The following tables summarise the Bank's exposure to foreign currency exchange rate risk at the balance sheet date stated in sterling equivalent. Included in the table are the Bank's assets, liabilities and credit commitments at carrying amounts, categorised by currency. The impact on the Bank's profit and equity of a 2% change in exchange rates compared to actual rates would have been immaterial at 31 December 2024 as net currency exposure is minimal.

Notes to the financial statements For the year ended 31 December 2024 (continued)

4. Financial risk management (continued)

4.3 Market risk (continued)

	USD £m	EUR £m	Other £m
At 31 December 2024			
Assets			
Loans and advances to banks	372	175	58
Derivative financial instruments	148	-	16
Financial assets at FVTPL	-	-	-
Loans and advances to customers	40	93	15
Other assets	-	-	-
Total assets	**560**	**268**	**89**
Liabilities and shareholders' equity			
Deposits by banks	20	1	-
Due to customers	538	266	53
Derivative financial instruments	-	-	38
Other liabilities	1	(1)	1
Total equity and liabilities	**559**	**266**	**92**
Net currency exposure	**1**	**2**	**(3)**
Credit commitments and guarantees	-	13	-

	USD £m	EUR £m	Other £m
At 31 December 2023			
Assets			
Loans and advances to banks	578	21	46
Derivative financial instruments	108	1	22
Financial assets at FVTPL	-	-	-
Loans and advances to customers	63	78	16
Other assets	-	1	-
Total assets	**749**	**101**	**84**
Liabilities and shareholders' equity			
Deposits by banks	34	5	29
Due to customers	711	96	32
Derivative financial instruments	-	-	39
Other liabilities	1	1	-
Total equity and liabilities	**746**	**102**	**100**
Net currency exposure	**3**	**(1)**	**(16)**
Credit commitments and guarantees	5	15	-

4.4 Interest rate risk

Exposure to interest rate risk is the risk that arises when there is an imbalance between rate and non-rate sensitive assets, liabilities and off-balance sheet items. The Bank's policy is to maintain the interest rate risk at a minimal level except that management may invest shareholders' funds in fixed or floating rate instruments in response to market conditions. Interest rate swaps are used to manage the interest rate exposure. The Treasury Committee sets limits on the level of interest rate risk by setting limits on interest rate exposures by time band.

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. This analysis also takes into account the effects of derivatives whose effect is to alter the interest basis of an asset or liability. The table below shows management's estimate of the Bank's interest rate sensitivity gap as at 31 December.

	Less than 1 month £m	1 - 3 months £m	3 - 12 months £m	1 - 5 years £m	Over 5 years £m	Non-interest bearing £m	Total £m
At 31 December 2024							
Assets							
Loans and advances to banks	1,912	115	-	-	-	-	2,027
Loans and advances to customers	511	144	37	29	-	-	721
Derivative financial instruments	-	-	-	-	-	46	46
Financial assets at FVTPL	-	-	-	-	-	-	-
Debt securities	69	123	12	-	-	-	204
Other non-interest bearing assets	-	-	-	-	-	19	19
Total assets	2,492	382	49	29	-	65	3,017
Liabilities and shareholders' equity							
Deposits by banks	37	-	-	-	-	-	37
Due to customers	2,676	27	74	2	-	-	2,779
Other non-interest bearing liabilities	-	-	-	-	-	61	61
Shareholders' equity	-	-	-	-	-	140	140
Total equity and liabilities	2,713	27	74	2	-	201	3,017
Gap	(221)	355	(25)	27	-	(136)	
Cumulative gap	(221)	134	109	136	136	-	

	Less than 1 month £m	1 - 3 months £m	3 - 12 months £m	1 - 5 years £m	Over 5 years £m	Non-interest bearing £m	Total £m
At 31 December 2023							
Assets							
Loans and advances to banks	1,382	47	1	-	-	-	1,430
Loans and advances to customers	465	214	95	31	-	-	805
Derivative financial instruments	-	-	-	-	-	43	43
Financial assets at FVTPL	-	-	-	-	-	-	-
Debt securities	34	30	15	-	-	-	79
Other non-interest bearing assets	-	-	-	-	-	21	21
Total assets	1,881	291	111	31	-	64	2,378
Liabilities and shareholders' equity							
Deposits by banks	47	-	-	-	-	-	47
Due to customers	2,006	69	63	4	-	-	2,142
Other non-interest bearing liabilities	-	-	-	-	-	64	64
Shareholders' equity	-	-	-	-	-	125	125
Total equity and liabilities	2,053	69	63	4	-	189	2,378
Gap	(172)	222	48	27	-	(125)	
Cumulative gap	(172)	50	98	125	125	-	

The figures do not demonstrate the exposure of the Bank to particular interest rates as the assets and liabilities included above have been consolidated across all currencies.

Notes to the financial statements For the year ended 31 December 2024 (continued)

4. Financial risk management (continued)

4.4 Interest rate risk (continued)

The sensitivity on the net assets of the Bank as a result of changes in interest rates is shown below:

	31-Dec-24 £'000	31-Dec-23 £'000
100 basis point increase on interest rates	(22)	59
100 basis point decrease on interest rates	22	(59)

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks continues to be undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative risk-free rates (referred to as 'IBOR' reform).

The risk management committee monitors and manages the Bank's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee reports to the Bank's Credit Committee and provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

4.5 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet commitments. The Bank monitors expected cash outflows for the entire maturity spectrum. Management of liquidity risk is of paramount importance to the Bank, to ensure that it can meet its liabilities as they fall due. The policy throughout the year has been to ensure liquidity by maintaining at all times sufficient high-quality liquid assets to cover expected net cash outflows.

Liquidity is monitored daily independently by the front office Treasury staff responsible for day-to-day liquidity management and is subject to oversight by the Treasury Committee which recommends policies and procedures for the management of liquidity risk and has set deficit limits for each period.

The table below analyses the Bank's financial assets and liabilities into relevant maturity groupings based on the remaining period, at the reporting date, to the contractual maturity date.

	Repayable on demand £m	3 months or less but not repayable on demand £m	1 year or less but over 3 months £m	5 years or less but over 1 year £m	Over 5 years £m	Undated £m	Total £m
At 31 December 2024							
Assets							
Loans and advances to banks	1,776	251	-	-	-	-	2,027
Loans and advances to customers	368	91	61	183	18	-	721
Derivative financial instruments	-	11	35	-	-	-	46
Debt securities	67	124	13	-	-	-	204
Other assets	4	-	-	-	-	15	19
Total assets	**2,215**	**477**	**109**	**183**	**18**	**15**	**3,017**
Liabilities							
Deposits by banks	37	-	-	-	-	-	37
Due to customers	2,433	144	198	4	-	-	2,779
Derivative financial instruments	-	9	34	-	-	-	43
Other liabilities	19	-	-	-	-	-	19
Total liabilities	**2,489**	**153**	**232**	**4**	**-**	**-**	**2,878**
Off balance sheet							
Guarantees	4	-	-	-	-	-	4
Loan commitments	11	-	-	-	-	-	11
Gap	(289)	324	(123)	179	18	15	124
Cumulative gap	(289)	35	(88)	91	109	124	

Notes to the financial statements For the year ended 31 December 2024 (continued)

4. Financial risk management (continued)

4.5 Liquidity risk (continued)

	Repayable on demand £m	3 months or less but not repayable on demand £m	1 year or less but over 3 months £m	5 years or less but over 1 year £m	Over 5 years £m	Undated £m	Total £m
At 31 December 2023							
Assets							
Loans and advances to banks	1,249	180	1	-	-	-	1,430
Loans and advances to customers	298	150	150	190	17	-	805
Derivative financial instruments	9	-	34	-	-	-	43
Debt securities	34	30	15	-	-	-	79
Other assets	8	-	-	-	-	13	21
Total assets	**1,598**	**360**	**200**	**190**	**17**	**13**	**2,378**
Liabilities							
Deposits by banks	47	-	-	-	-	-	47
Due to customers	1,903	145	90	4	-	-	2,142
Derivative financial instruments	44	-	-	-	-	-	44
Other liabilities	20	-	-	-	-	-	20
Total liabilities	**2,014**	**145**	**90**	**4**	**-**	**-**	**2,253**
Gap	(416)	215	110	186	17	13	
Cumulative gap	(416)	(201)	(91)	95	112	125	

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows, therefore, the liquidity position of the Bank is measured after behavioural adjustments are applied which are set out in the Bank's internal liquidity risk policy.

4.6 Fiduciary activities

The Bank provides custodian and other fiduciary services to customers. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the reporting date, these amounted to approximately £19,207 million (31 December 2023: £16,881 million).

4.7 Capital Management

Capital is defined as the total of share capital, retained earnings and other reserves. Total capital at 31 December 2024 was £139,820,000 (31 December 2023: £124,596,000).

Regulatory capital is determined in accordance with the requirements of the regulator, the Guernsey Financial Services Commission (GFSC). The Bank has complied with the capital requirements of the GFSC throughout the year.

The Bank's objectives when managing capital are to comply with the capital requirements set by the regulator and to maintain a strong capital base to support the development of the business.

5. Interest and similar income

	31-Dec-24 £'000	31-Dec-23 £'000
Interest income		
Interest income - Loans and advances	148,058	107,561
Interest income - Investment securities	8,563	1,396
	156,621	**108,957**
Interest expense		
Amounts due to banks and customers	(128,506)	(83,920)
Total	**28,115**	**25,037**

6. Net fee and commission income

	31-Dec-24 £'000	31-Dec-23 £'000
Fee and commission income		
Credit related fees and commissions	308	282
Management fees	3,706	3,229
Other fees and commissions	(212)	143
Total	**3,802**	**3,654**

7. Gains of all financial instruments at Fair Value through Profit or Loss

	31-Dec-24 £'000	31-Dec-23 £'000
Net gain on financial derivatives	3,908	2,826
Dividend income on other instruments designated at FVTPL (non trading)	8	2
Total	**3,916**	**2,828**

8. Operating expenses

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Staff costs	9	5,642	4,700
Administrative expenses		6,985	6,086
Total		**12,627**	**10,786**

Notes to the financial statements For the year ended 31 December 2024 (continued)

9. Staff costs

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Salaries and profit share		4,545	4,035
Social security costs		269	228
Staff benefits and other staff costs		597	465
Pension costs			
Defined benefit plans	21	(235)	(416)
Defined contribution plans	21	466	388
Total		**5,642**	**4,700**

10. Taxation

Following the EU directive passed in December 2022 on ensuring a global minimum level of taxation ('tax') for multinational enterprise groups (MNEs) and large-scale domestic groups, widely referred to as Pillar Two, Guernsey has approved legislation to implement these Pillar Two rules, effective from 1 January 2025.

The Pillar Two rules resulted from an initiative by the Organisation for Economic Co-operation and Development (OECD) to ensure that large MNEs with a consolidated annual turnover exceeding EUR 750 million pay a minimum tax of 15% at a jurisdictional level, with a top-up tax on any low-tax profits. Guernsey has implemented the Qualified Domestic Top-up Tax (DTT) and the Multinational Top-up Tax (MTT) for the Qualified Income Inclusion Rule, following the GloBE Model Rules with some modifications.

As the Bank is part of a qualifying MNE, the Bank will be caught by these Pillar Two rules and will be subject to an overall tax rate of 15% on profits, payable to the Guernsey Revenue Service, for the fiscal period starting 1 January 2025.

For tax relating to the fiscal period ending 31 December 2024, the Bank's ultimate parent, Rothschild & Co Concordia SAS, will be paying the top-up taxation in France to bring to total tax rate of the Bank to 15%.

The Bank has applied the exception to the requirements in IAS 12 that an entity does not recognise and does not disclose information about deferred tax assets and liabilities related to the OECD pillar two income taxes.

	31-Dec-24 £'000	31-Dec-23 £'000
Current tax:		
Tax in current period	2,064	1,798
Changes in estimates relating to prior periods	(91)	(18)
Total current tax	**1,973**	**1,780**
Total deferred tax	366	(241)
Total tax charged to income statement	**2,339**	**1,539**

The tax charged on income differs from the theoretical amount that would arise using the standard tax rate as follows:

	31-Dec-24 £'000	31-Dec-23 £'000
Profit before income tax	**22,935**	**19,913**
Tax calculated at the income tax rate of 10%	2,294	1,991
Changes in estimates related to prior periods	(91)	(18)
Effects of different domestic tax rates	(230)	(193)
Deferred tax charge to income statement	366	(241)
Total tax charged to income statement	**2,339**	**1,539**

Reconciliation of tax liability for cash flow purposes:

	31-Dec-24 £'000	31-Dec-23 £'000
Opening tax asset	-	517
Tax received	-	(517)
Current period tax credit to income statement	-	-
Closing tax asset	**-**	**-**

	31-Dec-24 £'000	31-Dec-23 £'000
Opening tax liability	426	780
Changes in estimates related to prior periods	(91)	-
Current period tax charge to income statement	2,064	1,798
Amounts paid to the Revenue Service	(1,384)	(2,153)
Closing tax liability	**1,015**	**425**

Further information about deferred tax is presented in note 20.

11. Loans and advances

Loans and advances to banks

	31-Dec-24 £'000	31-Dec-23 £'000
Reverse Gilt sale and repurchase agreements	1,350,041	325,000
Overnight and demand deposits with other Banks within the Group	653,379	1,069,126
Overnight and demand deposits with other banks	23,743	35,657
Loans and advances to banks	**2,027,163**	**1,429,783**

Loans and advances to customers

	31-Dec-24 £'000	31-Dec-23 £'000
Loans and advances to customers before allowances	722,943	807,468
Allowance for credit losses	(1,854)	(1,977)
Loans and advances to customers	**721,089**	**805,491**

Notes to the financial statements For the year ended 31 December 2024 (continued)

11. Loans and advances (continued)

The following table provides an analysis of the credit risk exposure of loans an advances to customers for which a ECL allowance is recognised.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amounts	718,302	3,159	1,482	722,943
Loss allowance	(643)	(77)	(1,134)	(1,854)
Net carrying amount at 31 December 2024	**717,659**	**3,082**	**348**	**721,089**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amounts	791,861	14,125	1,482	807,468
Loss allowance	(717)	(240)	(1,020)	(1,977)
Net carrying amount at 31 December 2023	**791,144**	**13,885**	**462**	**805,491**

Customers loans excludes lending of £9m (31 December 2023: £59m) where a group company funds and runs all risk on the lending specified in risk participation agreements with the Bank.

The movement in the allowance for credit losses may be summarised below. The movement in stages 1 & 2 is as a result of net loan repayments during the period and there has been further deterioration to the stage 3 loan. There were no transfers between stages.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loss allowance at beginning of period (1 January 2023)	(717)	(240)	(1,020)	(1,977)
(Charge)/Release to the Income Statement	74	163	(114)	123
Loss allowance at end of period (31 December 2024)	**(643)**	**(77)**	**(1,134)**	**(1,854)**

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loss allowance at beginning of period (1 January 2023)	(548)	(185)	(732)	(1,465)
(Charge)/Release to the Income Statement	(169)	(55)	(288)	(512)
Loss allowance at end of period (31 December 2024)	**(717)**	**(240)**	**(1,020)**	**(1,977)**

Collateral accepted as security for reverse Gilt sale and repurchase agreements

At 31 December 2024 the fair value of UK Gilts accepted as collateral that the Bank is permitted to sell or re-pledge in the absence of default is £1,322,346,000 (2023: £327,601,499). No financial assets accepted as collateral have been sold or re-pledged.

12. Derivative financial instruments

The Bank's use of financial instruments, including derivatives, is set out in note 4. A derivative is a financial instrument, the value of which is derived from the value of another financial instrument, an index or some other variable (the 'underlying'). Typically, the underlying is an interest rate, a currency exchange rate or the price of a debt security. The majority of derivative contracts are negotiated as to amount, tenor and price between the Bank and its counterparties, whether other professionals or customers and are known as "over the counter" ("OTC") derivatives. The remainder are standardised in terms of their amounts and settlement dates and are bought and sold in organised markets and are known as exchange-traded derivatives.

The contractual amounts of the exchange rate and interest rate contracts indicate the volume of transactions outstanding at the reporting date; they do not represent amounts at risk.

Derivative instruments are carried at fair value, shown in the statement of financial position as separate totals of positive replacement values (assets) and negative replacement values (liabilities). Positive replacement values represent the cost to the Bank of replacing all transactions with a fair value in the Bank's favour if the counterparties default. Negative replacement values represent the cost to the Bank's counterparties of replacing all their transactions with the Bank with a fair value in the counterparties' favour if the Bank were to default. Positive and negative replacement values on different transactions are only netted if the transactions are with the same counterparty and the cash flows will be settled on a net basis. Changes in replacement values of derivative instruments are recognised in trading income unless they qualify as hedges for accounting purposes.

There is a master netting agreement in place for forward foreign exchange contracts settled via Continuous Linked Settlement (CLS). The fair values of such contracts are presented net in the Statement of Financial Position.

The Bank uses the following derivative financial instruments for both trading and hedging purposes:

Forwards and futures - contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are OTC contracts, whereas futures are standardised contracts transacted on regulated exchanges.

Interest rate swaps - transactions in which two parties exchange interest cash flows on a specified notional amount for a predetermined period. Most swaps are OTC instruments. Interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency.

Options - contractual agreements under which the seller grants the purchaser the right but not the obligation to buy or sell by or at a future date a specified quantity of a financial instrument at a predetermined price. The purchaser pays a premium to the seller for this right. Options may be transacted OTC or on a regulated exchange.

Derivatives may be transacted for trading or hedging purposes. Trading involves taking positions with the intention of profiting from changes in market variables such as interest rates. The Bank also enters into derivative transactions for the purpose of hedging exposures in the non-trading book. The accounting treatment of hedge transactions depends on the nature of the hedging relationship and whether the hedge qualifies as such for accounting purposes. Derivative transactions may qualify as hedges for accounting purposes as either fair value or cash flow hedges.

Fair Value Hedges

The Bank's fair value hedges consist of interest rate swaps that are used to protect against changes in the fair value of fixed rate lending and of fixed rate borrowing. The net fair value of derivatives designated as fair value hedges was £479,000 (31 December 2023: -£19,000). The total carrying value of the hedged items for interest rate swaps is £69m (31 December 2023: £32m). The fair value adjustment to the hedged items is included in Loans and advances to customers in the Statement of Financial Position. Refer to note 3 for the Bank's policy for assessing hedge effectiveness of the swaps and the accounting treatment for the swaps designated as fair value hedges.

Notes to the financial statements For the year ended 31 December 2024 (continued)

12. Derivative financial instruments (continued)

The table below reflects positive and negative replacement values for contracts held at year end.

	Contracts held for trading purposes					
	Notional principal		Positive fair value		Negative fair value	
	31-Dec-24 £'000	31-Dec-23 £'000	31-Dec-24 £'000	31-Dec-23 £'000	31-Dec-24 £'000	31-Dec-23 £'000
Foreign exchange contracts						
Forward foreign exchange deals	3,038,972	3,133,788	45,261	42,256	(42,755)	(43,578)

	Contracts held for trading purposes					
	Notional principal		Positive fair value		Negative fair value	
	31-Dec-24 £'000	31-Dec-23 £'000	31-Dec-24 £'000	31-Dec-23 £'000	31-Dec-24 £'000	31-Dec-23 £'000
Interest rate contracts						
Swaps	68,650	32,150	489	423	(11)	(442)

Forward foreign exchange contracts with a positive fair value of £6,963,250 (2023: £6,642,658) and with a negative fair value of £5,076,896 (2023: £8,483,457) have been offset in line with the relevant master netting agreements resulting in a in a positive fair value of £6,714,337 (2023: £3,313,169) and a negative fair value of £4,991,336 (2023: £1,784,650) included in the Statement of Financial Position.

13. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an orderly transaction at the measurement date. For financial instruments carried at fair value, market prices or rates are used to determine fair value where an active market exists (such as a recognised exchange), as it is the best evidence of the fair value of a financial instrument. Market prices are not, however, available for certain financial assets and liabilities held or issued by the Bank. Where no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at the reporting date. The valuation may be derived from quotations received from various sources. Where the market is illiquid, the quotations may not be supported by prices from actual market transactions.

Valuation techniques are generally applied to over-the-counter derivative transactions, unlisted debt and equity securities and trading portfolio assets and liabilities. The most frequently applied pricing models and valuation techniques include discounted cashflow techniques and option valuation models. The values derived from applying these techniques are significantly affected by the choice of valuation model used and the assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility, and credit quality.

The methods adopted to determine the fair value of each type of financial asset or liabilities are summarised below:

For cash and balances at central banks, loans and advances to banks and deposits by banks, the fair value of these instruments is considered to be the same as their carrying value due to the short-term nature of the financial asset or liability.

Derivative financial instruments are carried in the statement of financial position at fair value, usually determined using market prices.

At 31 December 2024, debt securities were fair valued using quoted prices in an active market and the value was £97,586 higher than the carrying value (31 December 2023: £39,057 higher than the carrying value).

Loans and advances to customers have been reviewed for their terms and pricing based on current market interest rates for recent similar transactions. Management estimate that the fair value of these assets would be equal to their carrying value as at 31 December 2024 (31 December 2023: equal). Repurchase agreements and amounts due to customers - the fair value of these instruments is determined by discounting the future cashflows at market interest rates adjusted for the appropriate credit spread.

Debt securities - fair value is determined using quoted market prices where available, or by discounting the future cashflows at market interest rates adjusted for the appropriate credit spread.

Other financial assets and liabilities - fair value is considered to be the same as carrying value for these assets due to the short-term nature of such financial assets and liabilities.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Fair value of financial instruments				Carrying
31-Dec-24	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	value £'000
Financial assets					
Derivative financial instruments	-	45,750	-	45,750	45,750
Fair value of financial assets	**-**	**45,750**	**-**	**45,750**	**45,750**
Financial liabilities					
Derivative financial instruments	-	42,766	-	42,766	42,766
Fair value of financial liabilities	**-**	**42,766**	**-**	**42,766**	**42,766**

	Fair value of financial instruments				Carrying
31-Dec-23	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	value £'000
Financial assets					
Derivative financial instruments	-	42,679	-	42,679	42,679
Fair value of financial assets	**-**	**42,679**	**-**	**42,679**	**42,679**
Financial liabilities				-	
Derivative financial instruments	-	44,020	-	44,020	44,020
Fair value of financial liabilities	**-**	**44,020**	**-**	**44,020**	**44,020**

Notes to the financial statements For the year ended 31 December 2024 (continued)

13. Fair value of financial instruments (continued)

The following table analyses the fair values of financial instruments not measured at fair value at the reporting date, by the level in fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31-Dec-24	Fair value of financial instruments Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying Value £'000
Financial assets					
Loans and advances to banks	-	2,027,163	-	2,027,163	2,027,163
Loans and advances to customers	-	720,741	348	721,089	721,089
Debt securities	204,578	-	-	204,578	204,480
Total	**204,578**	**2,747,904**	**348**	**2,952,830**	**2,952,732**
Financial liabilities					
Deposits by banks	-	37,396	-	37,396	37,396
Due to customers	-	2,779,376	-	2,779,376	2,779,376
Total	**-**	**2,816,772**	**-**	**2,816,772**	**2,816,772**

31-Dec-23	Fair value of financial instruments Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Carrying Value £'000
Financial assets					
Loans and advances to banks	-	1,429,783	-	1,429,783	1,429,783
Loans and advances to customers	-	805,491	-	805,491	805,491
Debt securities	78,867	-	-	78,867	78,827
Total	**78,867**	**2,235,274**	**-**	**2,314,141**	**2,314,101**
Financial liabilities					
Deposits by banks	-	47,480	-	47,480	47,480
Due to customers	-	2,141,717	-	2,141,717	2,141,717
Total	**-**	**2,189,197**	**-**	**2,189,197**	**2,189,197**

Level 1: Comprises of financial instruments whose values are determined by quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Comprises of financial instruments whose value are determined by inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Comprises of financial instruments whose values are determined by inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For collateral-dependent impaired loans, the fair value is measured based on the market value of financial collateral and property revaluations for physical collateral.

The Banks' policy on the transfer of financial assets and liabilities is to determine the level at the end of the reporting period and record transfers at that point. There were no transfers between Level 1 and Level 2 in the year.

14. Debt securities

	31-Dec-24 £'000	31-Dec-23 £'000
Public bills and securities	204,480	78,827
Total	**204,480**	**78,827**

Fair value of above securities is disclosed under note 13.

ECL has been calculated on the public bills and is not material to disclose due to presentation of the results in thousands.

15. Equity-accounted investee

St. Julian's Properties Limited, incorporated in Guernsey, entered into voluntary liquidation in July 2021 and the entity was finally liquidated in December 2023. A final dividend was distributed to the Bank during 2023, a shareholder resolution held and the company was dissolved. As such the equity-accounted investee has no value at 31 December 2023.

Group	31-Dec-24 £'000	31-Dec-23 £'000
At beginning of period	-	57
Share of results	-	68
Dividends	-	(125)
At 31 December	-	-

16. Leases

The Bank rents the office space it occupies from third parties.

The Bank is a Guarantor for the lease between Sequent Limited ("the lessee") and Victory Investments (Guernsey) Limited ("the Lessor"). Under the terms of the lease, the Guarantor is liable to pay the rent if the Lessee defaults. The annual rent on this lease is £242,830 (2023: £243,502). The guarantee expires on 31 December 2029.

Accordingly, there were changes to the right-of-use assets and related lease liability as a result of the above actions.

The total impact of these transactions is disclosed in the table below.

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 Bank's incremental borrowing rate which has been determined at 2%.

Right of use asset – property

	31-Dec-24 £'000	31-Dec-23 £'000
Right of use assets at the beginning of the year	1,166	1,224
Additions	-	185
Disposals	-	-
Depreciation charge	(254)	(243)
Right of use assets at the end of the year	912	1,166

Part of the property is sub-let to third parties for which £9,000 of rental income was received in 2023. No income was received in 2024.

Lease liability – property

	31-Dec-24 £'000	31-Dec-23 £'000
Lease liability at the beginning of the year	1,231	1,295
Additions	-	165
Disposals	-	-
Rental payments	(255)	(255)
Interest expense/unwinding of discount	26	26
Lease liability at the end of the year	1,002	1,231

Notes to the financial statements For the year ended 31 December 2024 (continued)

16. Leases (continued)

Maturity of lease liability – contractual discounted cash flows

	£'000
Less than one year	222
More than one year	780
Total discounted lease liabilities 31 December	**1,002**

The Bank chose to apply permitted exemptions from IFRS 16 application for certain leases that met the exemption threshold, these being low value leases less than £5,000 and short-term leases.

17. Property, plant and equipment

	Leasehold improvement £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 January 2024	900	299	211	1,410
Additions	-	41	9	50
Disposals	-	-	-	-
At 31 December 2024	900	340	220	1,460
Accumulated depreciation at 1 January 2024	(512)	(270)	(193)	(975)
Disposals	-	-	-	-
Depreciation charge	(101)	(26)	(13)	(140)
At 31 December 2024	(613)	(296)	(206)	(1,115)
Net book value at 31 December 2024	287	44	14	345

	Leasehold improvement £'000	Cars, fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost at 1 January 2023	900	299	194	1,393
Additions	-	-	17	17
Disposals	-	-	-	-
At 31 December 2023	900	299	211	1,410
Accumulated depreciation at 1 January 2023	(411)	(251)	(166)	(828)
Disposals	-	-	-	-
Depreciation charge	(101)	(19)	(27)	(147)
At 31 December 2023	(512)	(270)	(193)	(975)
Net book value at 31 December 2023	388	29	18	435

18. Other assets

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Accounts receivable and prepayments		2,054	5,789
Defined benefit pension asset	21	14,592	12,547
Accrued income		877	694
Total		17,523	19,030

19. Other liabilities

	31-Dec-24 £'000	31-Dec-23 £'000
Accrued expenses and deferred income	12,505	15,393
Profit share	916	720
Sundry creditors	301	244
Other taxes	798	765
Total	14,520	17,122

20. Deferred income taxes

Deferred taxes are calculated on all temporary differences under the liability method using a standard tax rate of 10% (2023: 10%).

The movement on the deferred tax accounts are as follows:

Assets	31-Dec-24 £'000	31-Dec-23 £'000
At beginning of period	116	93
Provision for ECL on loan book	(24)	23
At 31 December	92	116

Liabilities	31-Dec-24 £'000	31-Dec-23 £'000
At beginning of period	935	1,470
Deferred tax liability post retirement benefits	524	(535)
At 31 December	1,459	935

Notes to the financial statements For the year ended 31 December 2024 (continued)

21. Retirement benefit obligations

Defined benefit pension plans and other post-retirement benefits

The Bank participates in the NMR Overseas Pension Fund ("the Overseas Fund"), a defined benefit scheme operated for the benefit of employees of certain Rothschild group companies outside the United Kingdom. The Overseas Fund is closed to new entrants and a defined contribution scheme was opened in 2003. The employees in the Overseas Fund stopped earning additional defined benefit pensions on 5 April 2017. Benefits built up by former in-service members will increase between the date of closure and each member's retirement date in line with the standard deferred revaluation in the Overseas Fund's rules.

The Fund is established as a Trust under English Law and registered at New Court, Swithin's Lane, London. It is exempt approved by The States of Guernsey Income Tax Authority under Section 150 of Income Tax (Guernsey) Law 1975.

As part of this closure exercise, each member who was in service on 5 April 2017 was granted an additional 6 months' service. The cost of this additional service was recognised as a past service cost.

The Bank has accounted for its share of the assets, liabilities and costs of the Overseas Fund, that share being determined by reference to the active, deferred and pensioner membership of the Overseas Fund. The figures set out below are for the Overseas Fund attributable to the Bank. At 31 December 2024, the total assets of the Overseas Fund were £74,675,000 (2023: £76,674,000) and the total liabilities were £49,684,000 (2023: £56,073,000). The fund has closed to future accrual since April 2017.

The principal actuarial assumptions used as at the reporting date were as follows:

	31-Dec-24	31-Dec-23
Discount rate	5.50%	4.50%
Retail price inflation	3.10%	3.00%
Consumer price inflation	2.30%	2.20%
Expected rate of increases to pensions in payment:		
Capped at 5.0% per annum	3.00%	2.90%
Capped at 2.5% per annum	2.10%	2.00%
Life expectancy of a pensioner age 60 (years)		
Male	28.4	28.4
Female	30.1	29.9

Amounts recognised in the statement of financial position:

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Defined benefit obligation		(30,685)	(34,631)
Fair value of plan assets		45,277	47,178
Total	18	**14,592**	**12,547**

The following sensitivities to changes in assumptions have been calculated to show the movement in the defined benefit obligation in isolation, and assuming no other changes in market conditions at the year-end date.

	31-Dec-24 £'000	31-Dec-23 £'000
Discount rate + 0.5%	1,700	2,100
Inflation assumption + 0.5%	(1,200)	(1,620)
Life expectancy + 1 year	(900)	(1,080)

Movement in defined benefit obligation:

	31-Dec-24 £'000	31-Dec-23 £'000
At the beginning of the period	34,631	33,827
Employer's part of current service cost	-	-
Interest on Fund obligations	1,518	1,584
Curtailment (gain)/loss	-	-
Actuarial (gains)/losses		
- due to financial assumptions	(3,660)	699
- due to demographic assumptions	14	(523)
- due to experience	19	734
Benefits paid / transfers	(1,837)	(1,690)
At the end of the period	30,685	34,631

Movement in plan assets:

	31-Dec-24 £'000	31-Dec-23 £'000
At the beginning of the period	47,178	48,524
Interest on Fund assets	2,084	2,265
Actual return on Fund assets less interest on Fund assets	(1,817)	(2,247)
Contributions by the Company	-	591
Benefits paid	(1,837)	(1,690)
Administrative expenses	(331)	(265)
At the end of the period	45,277	47,178

The fair value of plan assets comprised:

	31-Dec-24 £'000	31-Dec-23 £'000
Equities	2,288	1,945
Bonds	25,219	26,848
Gilts/cash	3,579	16,511
Other	14,191	1,874
Total plan assets	45,277	47,178

Amounts recognised in income statement:

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Current service cost		-	-
Net interest cost		(566)	(681)
Administration expenses		331	265
Past service cost		-	-
Curtailment		-	-
Total included in staff costs	9	(235)	(416)

Notes to the financial statements For the year ended 31 December 2024 (continued)

21. Retirement benefit obligations (continued)

Amount recognised in statement of comprehensive income:

	31-Dec-24 £'000	31-Dec-23 £'000
Actuarial gains / (losses) recognised in the year	1,806	(3,157)

Overall, the Fund has a weighted average remaining duration of 12.9 years as of 31 December 2024 (2023: 14.1 years).

Defined contribution schemes

	Note	31-Dec-24 £'000	31-Dec-23 £'000
Contributions paid	9	466	388

These amounts represent contributions for the defined contribution section of the BWCI Blue Riband Retirement Annuity Trust (RAT) Employee Scheme.

22. Commitments

In the normal course of business there are various outstanding commitments and contingent liabilities that are not reflected in the statement of financial position.

	31-Dec-24 £'000	31-Dec-23 £'000
Guarantees		
Guarantees and irrevocable letters of credit	4,068	4,233
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend	11,074	21,367
Total	**15,142**	**25,600**

23. Dividends per share

	31-Dec-24		31-Dec-23	
	per share	£'000	per share	£'000
Equity Interests				
Ordinary shares, interim dividend (paid)	0.47	7,000	0.51	7,700

24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months' original maturity (see note 4.5).

	31-Dec-24 £'000	31-Dec-23 £'000
Loans and advances to banks	2,027,163	1,428,382
Cash and cash equivalents	**2,027,163**	**1,428,382**

25. Related parties

Transactions with key management personnel (and their connected persons) are as follows:

	31-Dec-24 £'000	31-Dec-23 £'000
At 31 December		
Loans and advances to customers	450	450
Deposits	1,215	1,079

Key management personnel are the directors of the Bank and of the parent company. Loans to and deposits from key management personnel are taken in the ordinary course of business. Interest rates charged on balances outstanding from related parties above are the same as those that would be charged on an arm's length basis. The loans are secured over the property of the respective borrowers.

Remuneration of key management personnel is disclosed in note 28.

Amounts due from parent and fellow subsidiaries of the Bank are as follows:

	31-Dec-24		31-Dec-23	
	Loans and advances £'000	Other assets £'000	Loans and advances £'000	Other assets £'000
At 31 December				
Amounts due from parent and fellow subsidiaries	703,488	1,197	1,119,238	994

The related parties are fellow subsidiaries of Rothschild & Co. Amounts receivable include loans and amounts recoverable from related parties in respect of expenses incurred on their behalf and services provided. Loans are made in the ordinary course of business.

Amounts due to parent and fellow subsidiaries of the Bank are as follows:

	31-Dec-24		31-Dec-23	
	Deposits £'000	Other liabilities £'000	Deposits £'000	Other liabilities £'000
At 31 December				
Amounts due from parent and fellow subsidiaries	62,523	10,728	89,083	10,254

Amounts payable consist of deposits and bank account balances taken in the ordinary course of business and accrued expenses and deferred income in respect of expenses incurred on the Bank's behalf and services provided to the Bank. Included in amounts due to related parties above is £19,000 (2023: £19,000) due to parent. Interest rates charged on balances outstanding to related parties are the same as those that would be charged on an arm's length basis.

25. Related parties (continued)

Amounts recognised in the income statement of the Bank in respect of related party transactions are as follows:

	31-Dec-24 £'000	31-Dec-23 £'000
Interest and similar income	45,937	44,245
Interest expense and similar charges	(6,155)	(6,442)
Net fee and commission income	(30,104)	(30,683)
Operating expenses	(3,879)	(3,426)

Included in operating expenses with related parties in the table above is £48,000 (2023: £34,000) with parent. The remaining amounts are with fellow subsidiaries.

In addition, the Bank has received guarantees from, and has contingent liabilities with, fellow subsidiaries in respect of certain customer loans.

	31-Dec-24 £'000	31-Dec-23 £'000
Guarantees given	3,411	3,576
Undrawn commitments	5,788	15,266

26. Share Capital and Reserves

The share capital at 31 December 2024 relates to 15,000,000 issued and fully paid ordinary shares of £1 each (31 December 2023: 15,000,000). 15,000,000 is the denominator used in the Earnings per Share calculation in the Statement of Other Comprehensive Income (2023: 15,000,000) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share.

27. Earnings per Share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	31-Dec-24 £'000	31-Dec-23 £'000
Net profit (£'000)	20,596	18,374
Weighted-average number of shares	15,000,000	15,000,000
Basic and diluted earnings per ordinary share (£)	1.37	1.22

28. Remuneration of Key Management Personnel

	31-Dec-24 £'000	31-Dec-23 £'000
Emoluments of key management	1,783	1,479

	31-Dec-24 £'000	31-Dec-23 £'000
Retirement benefits are accruing to the following key management under		
Defined contribution schemes	7	6

Key management personnel are members of the Executive Committee of the Bank.

29. Subsidiaries

The subsidiary of the Bank is listed below. The company is a dormant entity and therefore its financial information has not been consolidated.

For the period ended 31-Dec-24	Activity	Registered	Percentage held
Old Court Limited	Nominee Company	Guernsey	100

For the period ended 31-Dec-23	Activity	Registered	Percentage held
Old Court Limited	Nominee Company	Guernsey	100

The historical cost of the investment in subsidiary undertakings at 31 December 2024 was £15,000 (31 December 2023: £15,000).

Significant Restrictions

The Bank does not have significant restrictions on its ability to access or use its assets and settle its liabilities.

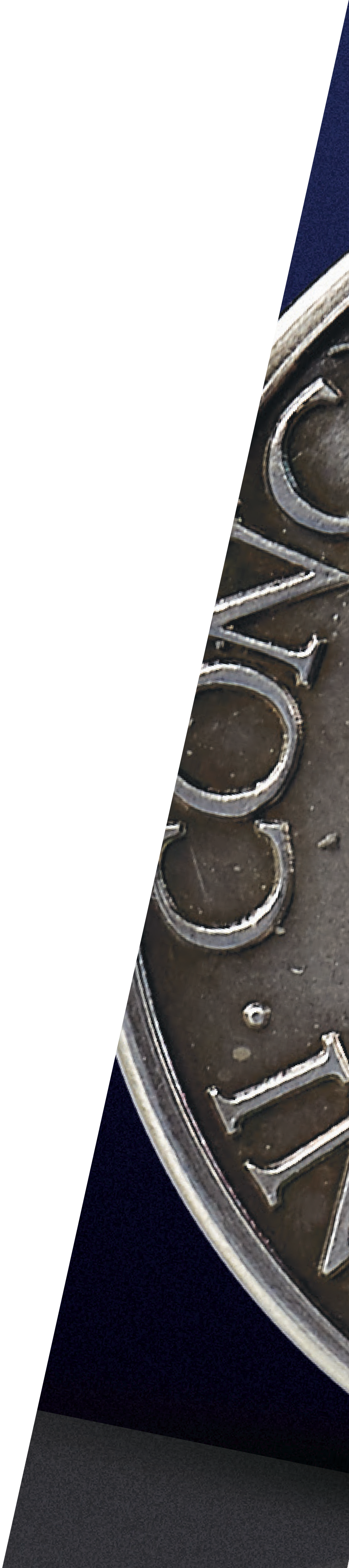
30. Parent Undertaking and Ultimate Holding Company

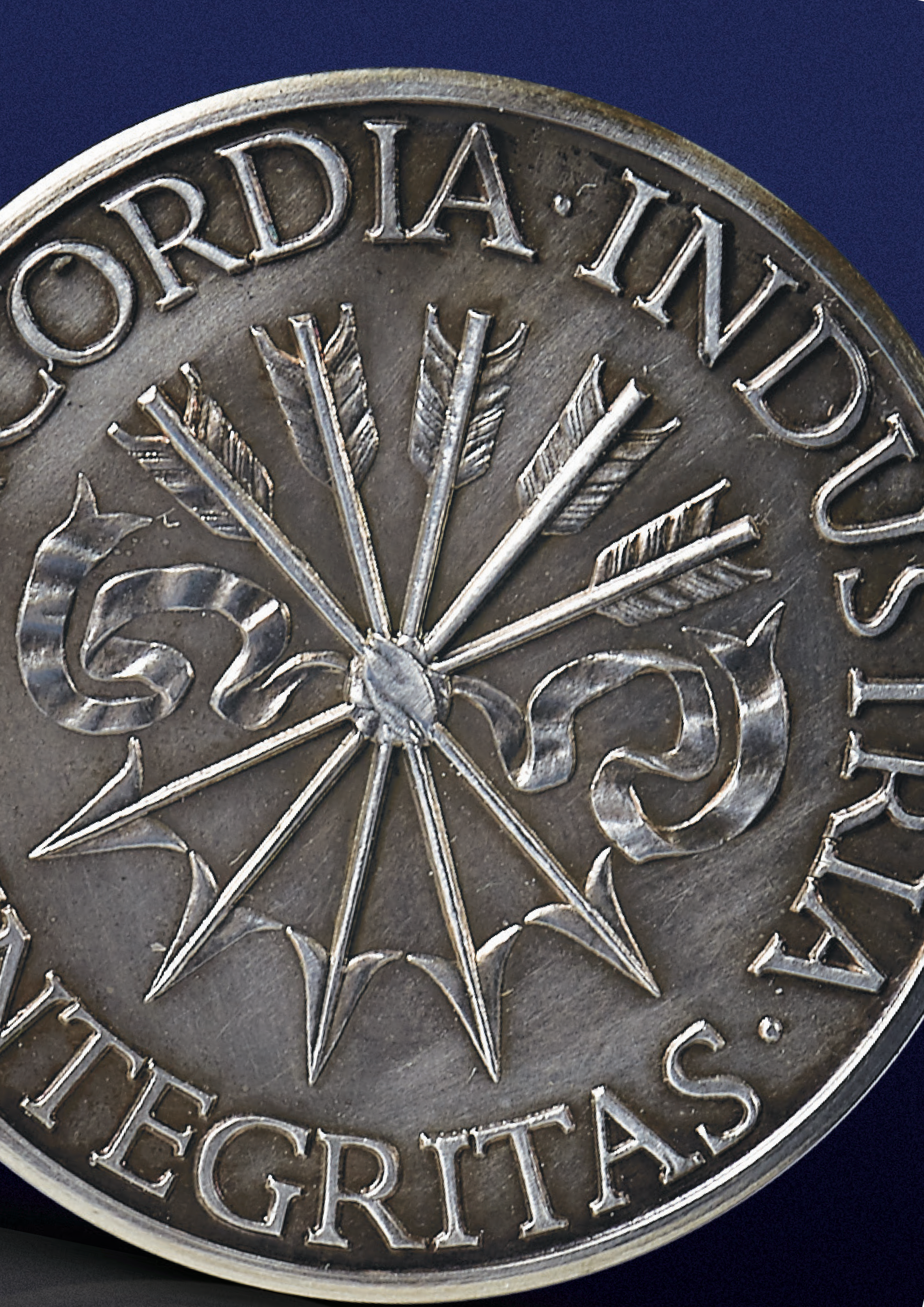
The largest group in which the results of the Bank are consolidated is that headed by Rothschild & Co Concordia SAS, incorporated in France and whose registered office is at 23 bis, Avenue de Messine, 75008 Paris. The smallest group in which they are consolidated is that headed by Rothschild & Co SCA, a French private partnership whose registered office is also at 23 bis, Avenue de Messine, 75008 Paris.
The accounts are available on Rothschild & Co website at www.rothschildandco.com.

The Bank's immediate parent company is Rothschild & Co Wealth and Asset Management, a private company limited by shares and incorporated in France.

31. Events after reporting period

There are no material events to disclose after the reporting period.

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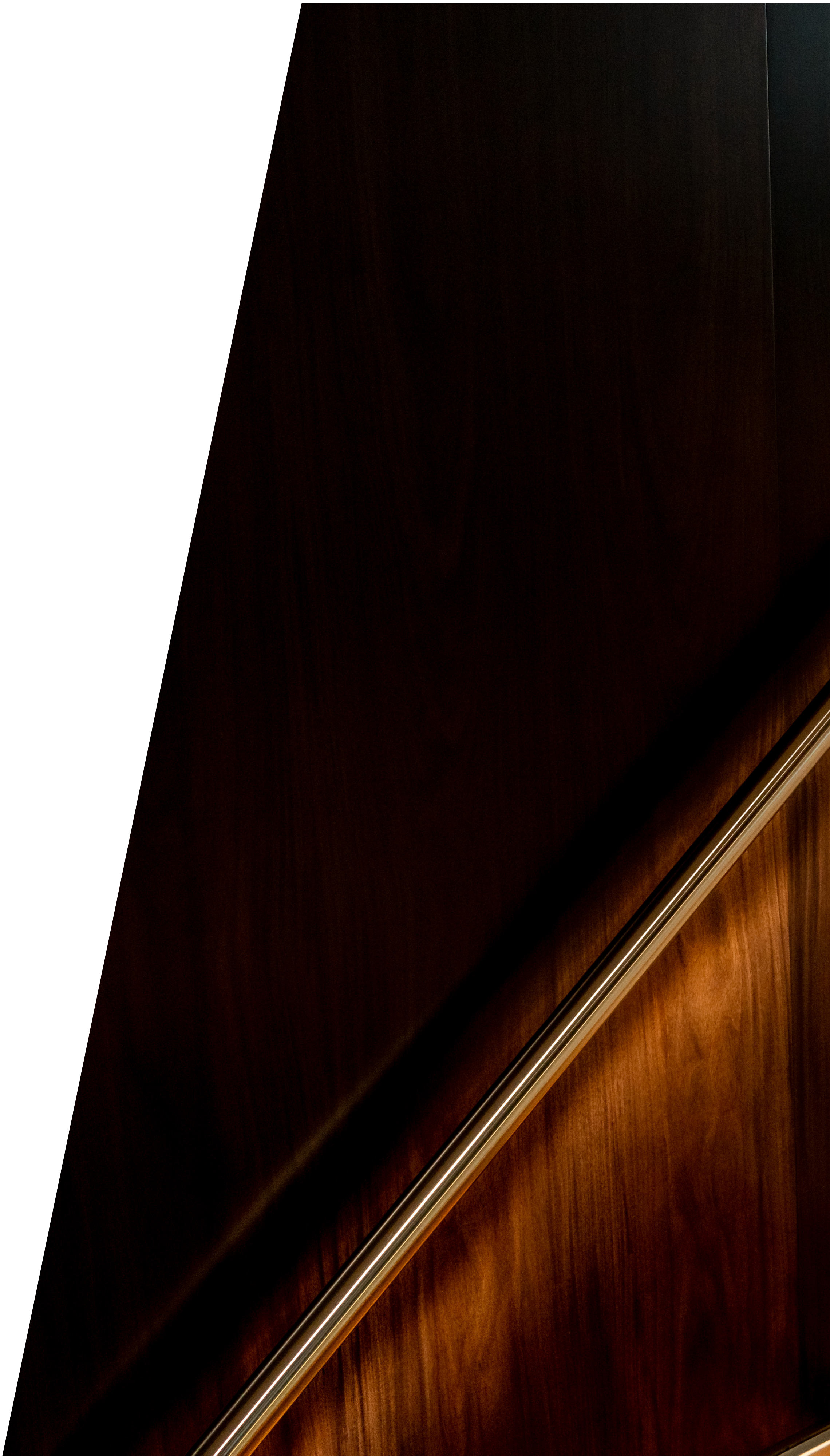

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