Belmont Green

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

COMPANY REGISTRATION NO. 09837692

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HIGHLIGHTS

NUMBER OF ACTIVE ACCOUNTS

>8,500

2022: > 8,500

COLLEAGUE ENGAGEMENT

A '1 Star' accreditation from Best Companies is a significant achievement that shows an organisation is taking workplace engagement seriously (2022: 1 Star)

TRUSTPILOT SCORE

4.4

2022: 3.8

Vida Homeloans is rated Excellent

Trustpilot

SUSTAINABILITY RATING[4]

GOLD 2023 ecovadis Sustainability Rating

SPEED TO OFFER

16 DAYS

vs Market Average of 29 days for Specialist Lenders

(2022: 24 days)

[1] Percentage of colleagues with a non-white British ethnicity.

CORE OPERATING PROFIT[2] (£m)

2.6

2022: 11.6

WOMEN IN SENIOR MANAGEMENT

50%

2022: 50%

FUNDING RAISED THROUGH SECURITISATIONS (£m)

750

2022: 400

NET INTEREST INCOME[2] (£m)

33.6

2022: 42.0

CULTURAL DIVERSITY[1] (% non-white)

29%

2022: 30%

INTERMEDIARY NPS[2]

+32

2022: 35

TOTAL MORTGAGE BOOK (£m)

1,699

2022: 1,750

NET INTEREST MARGIN[2]

1.98%

2022: 2.19%

GROSS NEW LENDING (£m)

190

2022: 795

EMPLOYEES

180

2022: 175

OPERATING COSTS[2] (£m)

31.7

2022: 34.4

STATUTORY OPERATING PROFIT (£m)

6.0

2022: 1.4

[2] Figures are on a core operating profit basis and excludes items of income or cost that are considered to be one-off in nature and fair value accounting adjustments that are outside the Group's control, consistent with the core operating profit table included in the Financial Review section. [4] Ecovadis gold accreditation for corporate social responsibility excellence.

BUSINESS OVERVIEW

Operating under the Vida Homeloans brand, Belmont Green remains a Buy-to-Let (BTL) and Residential Owner-occupied (ROO) mortgage lending specialist, focused on meeting the needs of under-served customers who typically fall outside the underwriting parameters of mainstream mortgage lenders.

Our business model and strategy are underpinned by our core purpose to 'Help More People Find A Place To Call Home'. Over the past eight years we have lent £3.5 billion serving more than 17,000 mortgage customers, but we believe we can do much more.

We are passionate about the role Vida can play in empowering our customers to take the next step on their home ownership or landlord journey.

Through our customer-focused culture, underpinned by our commitment to responsible lending, we will continue to work closely with our intermediary partners to support borrowers in these key market segments.

BELMONT GREEN AT A GLANCE

OUR PURPOSE

To help more people find a place to call home

WHAT WE DO

SPECIALIST LENDING

Through our mortgage lending programme, we aim to serve the under-served, especially those with more nuanced personal circumstances or borrowing needs. Those who, for example, have complex income patterns, are self-employed, have 'thin' credit histories or are a foreign national or expat looking to invest in UK property. They could be a landlord with a BTL business set up through a Limited Company, or a landlord looking to mortgage a multi-use property. It is very often a combination of such circumstances, which means our customers are unable to access a mortgage from a mainstream mortgage lender.

By using a combination of digitally accessible data and human underwriting expertise, we are able to help our customers access the borrowing they need at a level and price that is both affordable and sustainable.

Our mortgages are distributed exclusively through a network of FCA-authorised mortgage intermediaries, meaning that every new customer receives independent mortgage advice before submitting an application to us. Our distribution strategy is based on building best-in-class intermediary advocacy, through dedicated service provision affording our intermediary partners direct access to our underwriters. We have centralised our intermediary facing activities into one single processing unit 'V-Hub', so that intermediary partners can understand up-front the drivers of the lending decision and requirements for supporting documentation.

We have a strong track record of assessing and meeting customer needs through our detailed credit and affordability assessments and proactive arrears management and support. Modern technology and external data sources are utilised to automate certain operational tasks, however every application received is subject to robust manual underwriting.

HOW WE DO IT

OUR FUNDING MODEL

Our mortgage book, totalling £1.7 billion, has been funded through a successful and seasoned programme of securitisations. In 2023, the average note funding amounted to £1.4 billion, supported by warehouse funding facilities totalling £750 million by the end of the year, along with over £200 million of capital from our shareholder, Pine Brook[3].

Our mature Tower Bridge Funding securitisation platform continues to attract a broad range of tier one investors to a franchise which has issued c.£3.7bn of Residential Mortgage-Backed Securities (RMBS) since inception.

Wholesale funding programmes are supported by robust treasury systems and capital markets expertise, and we have established a strong reputation on this in the wholesale markets, underscored by the scheduled call of our first five issuances. Further highlighting our access to the RMBS market, even in a challenging economic climate, our £750m RMBS issuance in 2023 was met with significant demand and favourable pricing.

[3] References herein to "shareholder" or "Pine Brook" refer to Pine Brook PD (Cayman) Intermediate, L.P., or as implied by the context, its affiliated entities.

"...This is the second time I have dealt with Vida for my clients and all I can say is **wow**. The **service is second to none** and the **underwriters** are really lovely...they were so **professional** and **friendly** and couldn't do enough to help me. **I wish all the lenders were like this**."

CHAIR'S STATEMENT

STEVE HAGGERTY
CHAIRMAN

"I have again been impressed with how our strategy, purpose and culture have guided our response to the external challenges posed and have provided real impetus to the support we have been able to give to our customers."

2023 has proved to be another eventful and challenging year for the UK economy. We saw the highest interest rates in many years, alongside persistent rises in the cost of living. Inflation was propelled by a significant surge in energy prices, a consequence of the ongoing conflict in Ukraine, and the potential for political instability in the UK, with a general election looming large. These circumstances have affected our customers deeply and challenged us to provide them with strong levels of support while also protecting and developing our business. Despite the difficult economic backdrop and interest rate environment, I am pleased to report that 2023 was a year of continued progress for Belmont Green. We navigated the year with a focus on our long-term strategic objectives, laying a solid foundation for future growth.

I have again been impressed with how our strategy, purpose and culture have guided our response to the external challenges posed and have provided real impetus to the support we have been able to give to our customers.

This annual report sets out the progress we have been able to make in the face of this challenging business environment and the positive results we have been able to deliver for our stakeholders.

"The Board and Executive Team remain very focused on continuing to build a safe and sustainable business and our long-term vision remains 'to become the leading challenger brand in the UK specialist mortgage market"

We are committed to offering competitive products to both new and existing mortgage customers and empowering them to take the next step on their property-owning journey.

In 2022, we transformed our operating model by establishing the V-Hub, which offers our intermediary partners direct access to our underwriters, thereby enhancing our intermediary relationships and providing quick access to decision-makers. The simplified credit tiering and enhanced lending criteria we introduced in 2023 are tailored not only to serve our current customer base but also to ensure scalability and adaptability for future growth. Additionally, the Vida 'service pledge' reinforces our commitment to excellence as we continue to evolve.

We remain very aware of the challenges and downside risks related to rising living costs, higher interest rates and inflation and continue to closely monitor customer behaviours. Although mortgage arrears have increased from a low level as the loan book continues to season, the level of credit losses remains low, demonstrating the effectiveness of our approach to understanding and assessing the credit risk of our customers and dealing with difficulties when they arise.

We have made important steps in embedding the Consumer Duty throughout the business in order to deliver good outcomes for our customers, both new and existing. Our colleagues continue to work hard to provide the high levels of service that our customers and intermediary partners expect and ensure that support is available to all customers, including those who may be vulnerable or in financial difficulty, throughout their journey with Vida.

Our corporate purpose is to 'Help More People Find A Place To Call Home' and as our business grows, it becomes increasingly important to actively shape and manage our culture. At Belmont Green we take great care in all that we do, and our business values and new culture strategy will shape the way we run our business and interact with all of our stakeholders.

During the year, the Board has spent considerable time discussing the new Culture Strategy and engaging with colleagues from the Culture Champions, Equality, Diversity and Inclusion (EDI) Forum and Environmental, Social and Governance (ESG) Forum to ensure our culture priorities align with our approach to Sustainability, Diversity and Inclusion.

Our colleagues are the bedrock on which the business is built, and it is through their energy, drive and responsible decision making that Belmont Green has been able to continue to deliver against its strategic aims. We therefore recognise the importance of investing in our people. We are dedicated to encouraging

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a supportive and inclusive culture where colleagues feel they belong and have the opportunity to grow and develop. Our commitment to increasing diversity at all levels is reflected in our EDI Charter and we strive to ensure that those who work within our business reflect the customers and communities we serve.

We remain committed to being a socially responsible business and have made strong progress developing our ESG Strategy, embedding Environmental, Social and Governance considerations and enhancing our reporting and disclosure. We believe we can make a genuine and positive impact as a business and the commitment we are making has been reflected in a gold medal accreditation from EcoVadis, which puts us in the top 5% of the companies they rate.

As a Board, we remain focused on ensuring our strategy is able to deliver long-term success and I would like to thank my fellow Board members, the Executive Team and all colleagues for their hard work and contribution to everything we achieved in 2023. I would also like to thank Alan Newton, who stepped down from the Board in February 2023, for his significant contribution over the years and wish him every success for the future.

Pine Brook, our primary shareholder, continues to be very supportive and their relationship with the Board and Executive Team remains strong. Pine Brook's continued support and trust means that the business remains well capitalised as we look ahead and continue to proactively engage with the regulatory authorities on our application to become a bank, regardless of the outcome in the short-term.

I am confident that building on our achievements, Belmont Green is well-positioned to significantly impact the mortgage market. If we are successful in applying for a banking license, we can extend our influence into the savings sector, further enhancing customer choice and value in our chosen segments. Our commitment to a customer-focused approach, supported by a robust culture, dedicated team, and strong corporate governance, position us well to face any further uncertainties in 2024 as the business continues to mature and prosper.

Steve Haggerty
Chair

"In 2023, Belmont Green continued to make significant strides, firmly guided by our commitment to helping more people find a place to call home. We've reinforced our foundation for sustained growth and superior customer support, setting our sights on becoming a leading brand in the UK mortgage market. I am deeply appreciative of our dedicated team and our partners for their unwavering support as we advance towards achieving our strategic goals."

Steve Haggerty – Chairman

CHIEF EXECUTIVE'S REVIEW

ANTH MOONEY
CHIEF EXECUTIVE OFFICER

"We are proud to report a third year of continued profitability – a clear indication of our management team's ability to cope with tough trading conditions, whilst remaining focused on our primary strategic objective of becoming a retail deposit funded bank."

CHIEF EXECUTIVE'S REVIEW

INTRODUCTION

In a year marked by rising interest rates, we have successfully navigated the resulting changes in mortgage demand and the substantial challenges these conditions have posed to customer affordability. Against this background, our commercial strategy of focusing on specialist mortgage product segments, on applying a robust approach to credit risk management, on maintaining high levels of customer retention and on prioritising margins over volume has again served us well.

That said, the clear limitations of a non-bank operating model have been laid bare as higher interest rates have amplified the benefits enjoyed by our peers, a large majority of whom are funded primarily through retail deposits.

Despite these headwinds, our focus on our longer-term strategy has not wavered. We are proud to report a third year of continued profitability – a clear indication of our management team's ability to cope with tough trading conditions, whilst remaining focused on our primary strategic objective of becoming a retail deposit funded bank. With a banking licence in hand, we will have access to a more diversified funding base and will be better equipped to compete on a level playing field with other specialist mortgage lenders.

BECOMING A BANK

Transitioning to a bank model is our principal strategic goal, enabling us to accept retail deposits directly from customers. This shift will not only allow us to inject heightened competition into the mortgage and savings markets but will also enhance choice and value for our customers. The ability to accept retail deposits will significantly bolster our business strategy, providing a stable and diversified funding source that enhances our competitive edge and minimises the risk to our business from disruption in the wholesale funding markets.

Throughout 2023, we dedicated substantial time and resources toward our banking authorisation application. We have submitted our completed application to the UK regulatory authorities and are advancing with our comprehensive plan to set up and launch safely once authorisation is granted.

TRADING OVERVIEW

Having sold a £0.5bn loan book towards the end of 2022, we opened the year with mortgage assets of £1.7bn. With a clear focus on writing new mortgage business with sustainable returns rather than chasing volume in what was a very competitive marketplace, gross new lending in 2023 was consciously limited to £0.2bn.

With £0.5bn of existing customer loans maturing from a fixed rate deal during 2023, and with higher prevailing mortgage rates posing a material payment shock for many customers, our ability to retain maturing customers was brought into sharp relief. Our decision to invest during 2021 in building out a new digital retention capability was very much vindicated, as we saw 62% of maturing customers take a new deal with us, allowing us to limit in year redemptions to £0.2bn, meaning that we were able to end the year with net mortgage assets largely unchanged at £1.7bn.

A continued focus on cost management resulted in an 8.6% reduction in operating costs year on year, supporting a statutory profit before tax of £6.0m for 2023 (2022: £1.4m profit), with an underlying core operating profit of £2.6m (2022: £11.6m profit) before tax, which reflects our resilience and adaptability in navigating the challenging economic landscape

We also successfully completed two RMBS transactions in 2023 raising £750m, with another £300m raised in early January 2024. Throughout the year, we received robust backing from our banking partners, and we continue to retain access to four warehouse facilities. This positions us well to support our growth plans in 2024.

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CUSTOMER FOCUS

Inevitably, our success is dependent on delivering good outcomes for our customers, which is contingent upon our ability to creatively manage the proposition we offer, guided by our expertise in understanding the specialist mortgage market and demonstrating an ability to adapt to fast evolving trends.

We believe our proposition provides good outcomes for customers throughout the whole of their time with us, with our approach to underwriting and pricing ensuring the delivery of fair value to everyone. Our approach to arrears management, including pre-arrears strategies, ensures that customers, particularly vulnerable customers, get the support they need. Our mortgage proposition has been informed by, and fully supports the objectives of the Consumer Duty.

In 2023 we continued to strategically evolve our credit risk appetite, to allow us to offer more tailored lending solutions and enhance our ability to meet the diverse needs of our customers.

We launched a Later Life Lending proposition, further demonstrating our dedication to meeting the changing needs of our customers, expanding our product portfolio, and driving business growth.

In the middle of the year, we implemented a simplified tiering structure across our residential owner-occupied and buy-to-let products. We also used the insight we gather from our credit risk analytics to broaden our lending criteria related to income, property type, and back-to-back remortgages. These changes were all aimed at streamlining our credit assessment process and providing greater flexibility to assist those customers with only minor credit blips to get access to the best products and rates possible. As a result of these changes, we have witnessed excellent outcomes in terms of customer experience during the latter half of the year.

To further enhance the delivery of our retention strategy, we have pinpointed and addressed critical customer challenges to enhance the overall experience. This effort included optimising the user journey on our digital portal and refining our customer communications strategy – from rewriting all messaging to adjusting the schedule of our email dispatches. Additionally, we enhanced our retention tracking capabilities, providing us with a more profound understanding of customer behaviours, preferences, and levels of engagement.

OPERATING MODEL

We opened the year's trading having made a significant shift in our operating model by moving from a traditional sales-led model towards a more service centred approach. In practice, this led to the removal of our field sales resource which was a bold step to take but one which has paid real dividends. Our service delivery for both intermediary partners and customers has dramatically improved across all measures, evidenced most clearly by the significant improvement in our TrustPilot score which has risen to 4.4 (2022: 3.8) out of 5.0, denoting an 'excellent' rating.

This unique shift in the operating model has allowed us to improve the efficiency of our underwriting processes whilst also providing intermediary partners with improved response times and direct access to decision makers, a recipe which has been warmly received.

When we launched the V-Hub, we knew that giving intermediaries direct access to underwriters was right, but the overall response from brokers has exceeded our expectations.

CHIEF EXECUTIVE'S REVIEW

The V-Hub is a central communications centre, handling all intermediary queries. It offers our intermediary partners swift and efficient support by providing direct access to a decision maker—a knowledgeable human point of contact. This contact can advise on case placement, offer the latest updates on in-flight cases, provide direct access to the underwriter managing their case and offer insights into our current mortgage offerings.

Our growing confidence is amplified by our 'service pledge' through which we commit to refunding the customer fee if any of our intermediary partners feel they have received anything but Excellent Service. This hard-edged commitment to service excellence forces us to think very hard about the quality of what we do and we listen very carefully to the feedback we receive from our key intermediary partners.

Our Intermediary Net Promoter Score (NPS) score remained consistently positive throughout the year, reaching +34 in Quarter 4. The overall NPS score for the year was +32 (2022: +35).

In 2023, significant attention has been devoted to developing exclusive partnership solutions for clubs, networks, and packagers. The Premier Packager Club, launched in late Spring, offers exclusive services such as a dedicated Packager Support Team, a clear escalation route for challenging cases, a new exclusive credit tier, and a dedicated webpage on our website.

Additionally, a Case Clinic Approach was implemented with our key clubs and networks to further enhance our proposition through collaboration. These virtual events allow intermediaries to meet with our Intermediary Relationship, V-Hub, and Product Management teams, who share updates on our products and proposition, providing a forum for knowledge sharing and support.

I have attended a series of these meetings with clubs and networks during the year, and an action plan was established with each intermediary partner so that we have concrete actions in place to strengthen each of our relationships. Finally, in October, we hosted the Annual Key Lender Partner event in London, where the team and I updated our intermediary partners on progress and our future plans.

88%
COLLEAGUES REPORTING A STRONG CULTURE OF CARE

50%
WOMEN IN SENIOR MANAGEMENT

8.6%
OPERATING COST REDUCTION YEAR-ON-YEAR

£2.6M
CORE OPERATING PROFIT (2022: £11.6M)

4.4
TRUSTPILOT SCORE 'EXCELLENT' (2022: 3.8)

CHIEF EXECUTIVE'S REVIEW

"OUR CULTURE GOES TO THE HEART OF WHO WE ARE AS A BUSINESS AND SHAPES THE DECISIONS WE MAKE, THE BEHAVIOURS WE EXPECT AND THE OUTCOMES WE STRIVE FOR."

STRONG CREDIT RISK MANAGEMENT

With the macroeconomic outlook deteriorating over the course of the year, concerns remain over the impact of high inflation on the ability of our customers to meet their monthly payments.

With that in mind, we have continued to take a proactive approach to customer management, making early contact whenever we identify any early signs of payment stress.

As with all lenders in the mortgage market, we have experienced increased arrears throughout the year, with balances at or above 3 months in arrears climbing to 2.2% in December 2023 from 1.3% in December 2022. Despite this, our proactive arrears strategy has continued to serve us well, and we expect that arrears levels will remain within our overall risk appetite. Additionally, we have encountered no material conduct risk issues in the business and have successfully managed all controllable risks within our risk appetite.

A new Enterprise Risk Management Framework has been embedded within the business, underpinning what we believe to be a bank standard risk management capability.

The weighted average current indexed Loan-to-Value (LTV) of the mortgage book has increased marginally to 63% (2022: 61%) with the fall in HPI. We have recorded an impairment charge of £0.1m for the year with the loan loss coverage reducing to 33 basis points compared to the 34 basis points recorded for 2022.

We will continue to take a cautious approach to the economic outlook in our IFRS 9 modelling, but this reduction reflects our view that, despite macroeconomic forecasts predicting potentially significant falls in house prices, we have retained a conservative approach to loan loss provisioning.

PEOPLE AND CULTURE

As a business with an aspiration to become a bank and grow over the coming years, we recognise the importance of having a clearly articulated culture strategy and the need to actively manage how it embeds in the business together with the behaviours which exemplify it. Our culture goes to the heart of who we are as a business and shapes the decisions we make, the behaviours we expect and the outcomes we strive for. The Board, Executive Team and wider leadership team have therefore worked extensively throughout 2023 to develop a clearly defined culture strategy and set out how that translates at a practical level into our shared behaviours and values.

Colleague engagement remains exceptionally positive, as reflected in the high scores attained in our recent survey. For the first time, we've earned a spot on the Best Companies' list of the 100 best mid-sized companies to work for in the UK. This recognition underscores our commitment to ongoing improvement, fuelled by valuable feedback from our team.

We take pride in our diverse workforce, championing both ethnic and gender diversity through our EDI work programme. This effort has not gone unnoticed externally, as evidenced by our inclusion as a finalist at the Financial Reporter Women's Recognition Awards, where we shared the stage with notable names in the financial services industry.

Three years ago, we signed up to the HM Treasury Women in Finance Charter, committing to the progression of women in senior roles within financial services and have substantially met the targets set. I am delighted to note that 50% of senior management roles within the organisation are now filled by women.

In 2023 a standalone Culture Committee was established, which is Chaired by the Chief Legal & Culture Officer. This committee is tasked with ensuring effective oversight of the embedding of a culture which fully reflects the Vida Values and embodies a 'customer first' approach. It also plays a crucial role in challenging and reviewing people and conduct frameworks to oversee the delivery of an impactful workplace culture and a customer experience that sets Vida apart.

OUTLOOK

Specialist mortgage lenders play an increasingly critical role in supporting borrowers overlooked by the larger lenders. We have established a successful, sustainable, and responsible lending business by working hard to understand and respond to the needs of our customers.

As a management team, we have a proven track record for reacting swiftly and decisively to meet challenges posed by a shifting environment. We enter 2024 in a confident position, with committed funding capacity in place, a maturing loan book, a strong capital base, cautious provisioning reflecting the increasing arrears position, and a well-established distribution franchise – we are therefore well placed to execute on our plans for the year ahead.

As a team, we remain fully committed to becoming the leading challenger brand in the UK specialist mortgage market, so that we can help ever more people find a place to call home.

Anth Mooney
Chief Executive Officer

GOLD 2023 ecovadis Sustainability Rating

"OUR GOLD SUSTAINABILITY MEDAL ACCREDITATION FROM ECOVADIS PUT US IN THE TOP 5% OF COMPANIES WHICH THEY HAVE ASSESSED"

BELMONT GREEN AT A GLANCE

OUR CULTURE AND VALUES

We are proud to have built a culture founded on the ethos of caring, and that ethos sits at the heart of our Vida Values, driving the way we run our business and interact with our customers and other stakeholders on a daily basis. We genuinely care about delivering the right outcomes for all of our stakeholders, whom we consider through the cultural framework of 4C's; our customers, our colleagues, our company and the wider communities in which we operate.

From the start to the end of their journey with us, our **customers** can trust us to put their needs and financial objectives at the centre of every decision we make, to do what's right and to support them through the challenges they face along the way. In trying to meet the needs of all customers, not just the chosen few, we aim to be fair and open in all communications and processes, with the objective of ensuring that people get the very best possible deal they can. We will always try to act in their best interests to deliver good outcomes and to support them if circumstances mean they may be vulnerable. In short, we put the principles of the Consumer Duty at the very centre of everything we do.

Our **colleagues** feel they belong in what is a diverse and collaborative environment, where they are empowered to take responsibility for driving delivery; where transparency is valued, and challenge is welcomed; and where everyone is supported to grow and develop. Echoing this dedication, our latest engagement survey results show that 88% of our colleagues feel that people at Vida genuinely care for each other and go out of their way to help, highlighting the strength and compassion of our team dynamics. We embrace a diversity of backgrounds and experiences in our people, in the deeply held belief that better outcomes will be achieved for customers if employees are better placed to empathise with and understand their unique circumstances. A one size fits all approach to life can often leave certain segments of society excluded or let down, and not least those who may be more vulnerable, so we try to keep this front of mind in all our dealings with customers.

As a **company** we aim to build a resilient and sustainable business, one that delivers a fair profit by balancing the financial objectives of our shareholders with the needs of our customers, ensuring that the achievement of good customer outcomes is never compromised. We have already demonstrated our agility and ability to adapt to the challenges which all organisations have faced in recent times. By transitioning to become a bank, we will further enhance the resilience of our business model and ensure that even more people can be supported to find a place to call home.

And we care deeply about the role we play in the society around us, understanding that in achieving our business purpose we help create inclusive and sustainable **communities**. We believe we have a responsibility to give back our time and resources into those communities because even small actions can make a real difference. Our ESG Strategy embodies our approach to our broader environmental and societal responsibilities as an organisation. Our core work helps communities thrive by providing improved access to safe and affordable housing for more people – a key building block of any thriving society. In addition, we give back to our communities by making available funds, expertise and time to help foster partnerships which can benefit those communities in which our customers live and work.

STRATEGIC REPORT

VISIONARY

WE LEARN BY BREAKING OLD HABITS AND INNOVATING TO FIND CREATIVE SOLUTIONS TO PROBLEMS.

INCLUSIVE

WE VALUE EACH OTHER'S DIFFERENCES AND WORK HARD TO SEE PEOPLE FOR WHO THEY REALLY ARE.

DYNAMIC

WE EMBRACE CHANGE AND GET RESULTS BY TAKING DECISIVE ACTION.

AUTHENTIC

WE BUILD TRUST BY BEING HONEST, STRAIGHTFORWARD AND BY KEEPING OUR PROMISES.

STRATEGIC REPORT

STRATEGIC PROGRESS

2023 represented another year of progress for Belmont Green against our longer-term business strategy and positioning the business for sustained profitable growth as an authorised UK bank.

GOALS

DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS

Design innovative propositions to help more people further their saving and homeowning ambitions

- Use deep market insight and data analytics to identify underserved customer segments and their key characteristics
- Deploy carefully targeted proposition development to support good customer outcomes, underpinning planned organic originations growth
- Utilise risk-based pricing methodologies whilst ensuring fair and transparent pricing for both new and existing customers
- Maintain a strong retentions proposition, including efficient, digital processes and competitive product offerings
- Support vulnerable customers and support those customers facing difficulty or changing life circumstances

DELIVER DECISIONING EXCELLENCE AND FIRST-CLASS SERVICE

Combine human expertise with digital tools and data insight to optimise the customer journey

- Provide an excellent experience across the end-to-end customer lifecycle
- Leverage an underwriting approach that can flex to meet customer circumstances and case complexity
- Empower skilled underwriters to apply qualified discretion whilst operating within a clearly defined lending mandate
- Utilise technology and data to remove friction from the customer journey
- Outsource to expert partners for delivery of first class back-office services

DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS

Build advocacy and trust through a singular focus on experience delivery

- Provide direct access to expert decision makers
- Tailor marketing and distribution engagement to key, high potential partners, working with them to design and refine our communications and proposition
- Be proactive and visible with our key partners – investing time to understand their business model and helping them to build their business as we build our own
- Utilise creative brand marketing to amplify our key messaging across multiple channels

OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS

Maintain access to stable, high-quality and well diversified sources of funding

- Fully leverage a securitisation funding programme and balance sheet management to minimise liquidity risk
- Use forward flow alliances to fully exploit operational capacity whilst optimising capital usage
- Gain access to retail deposits and central bank funding through a banking licence approval
- Access diversified and cost-effective sources of capital to support balance sheet scale and minimise capital risk

CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK

Create a caring and supportive environment where individuals feel able to express themselves with confidence

- Actively seek to create a diverse and inclusive workplace where equality and fairness form part of our business DNA
- Create opportunities for our people to develop new skills, gain new experiences and have a positive impact on the world
- Celebrate those moments when colleagues find a way to truly uphold the values and behaviours we aspire to
- Embed and deliver against our Equality, Diversity and Inclusion Charter
- Embed a business appropriate hybrid working model that fully empowers our people to own their agenda and balance their work and home lives

SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL

Embed a unified enterprise-wide control framework, delivering bank standard oversight and monitoring of a fully developed bank

- Maintain a Board and Executive Team with the skills and experience required in a Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated environment
- Adhere to governance processes with strong conduct and fair customer outcomes at their heart
- Manage within an approved risk appetite appropriate to the strategy of the business and which avoids any unrewarded risk
- Design resilience into the operating model ensuring data security, systems integrity and business continuity in our owned and outsourced business processes

	DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS	DELIVER DECISIONING EXCELLENCE AND FIRST-CLASS SERVICE	DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS	OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS	CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK	SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL
2023	• Updated our lending policy and risk tiering to more fully align to our Board approved credit risk appetite, expanding our proposition to serve a wider customer base and deliver better customer outcomes • Completed £0.2bn of organic mortgage loan originations, maintaining net mortgage loans at £1.7bn • A new Later Life Lending proposition was launched • Continued enhancements to our retentions proposition enabled us to retain £0.3bn of business in 2023, more than double 2022	• Average call response time: 12 seconds; call abandonment rate below 1% • More than 13,000 calls were answered directly by underwriters • 16 days speed to offer (2022: 24) vs market average of 29 days for Specialist lenders) • Intermediary Net Promoter (NPS) score of +32 (2022: +35) • Achieved a TrustPilot rating of 4.4 (2022: 3.8) vs the industry average of 2.9, marking the highest level of customer satisfaction in our history	• A new intermediary-centric operating model, fully embedded in the business and very well received by the broker community • A new service pledge launched for intermediaries with 1.18% claims made under the guarantee	• The business reported its third consecutive year of profitability • Completed two securitisations totalling £750m of loans via our Tower Bridge Funding programme • Ongoing capital support from our primary shareholder Pine Brook	• Hybrid working model successfully embedded • Board approved Culture Strategy now in place • Vida was recognised as one of the UK's top 100 mid-sized companies, a testament to our strong colleague engagement and commitment to excellence • Enhanced Employee Value Proposition embedded • EDI Charter is enhanced with 50% of senior management positions now filled by women • All the actions from our ESG Strategy have been completed	• Balances at or above 3 months in arrears remaining within our credit risk tolerances at 2.2% (2022: 1.3%) • New Enterprise Risk Management Framework approved by Board and adopted • Strengthened support provided to vulnerable customers and those in financial difficulty
FORWARD LOOK	• Design and build out our lending proposition into to new segments • Launch our first retail savings proposition to the market • Commercially exploit our credit risk appetite more fully • Utilise forward flow partnerships or asset sales to enhance returns as a bridge to bank status	• Ensure good outcomes for all customers, especially vulnerable and those facing payment difficulties • Further deploy technology and data to drive enhanced operational efficiency • Maintain reputation for service excellence at greater scale	• Demonstrate that the V-Hub operating model can operate successfully at scale • Fully centralise all broker queries and engagement into V-Hub • Launch the banking brand internally and to all stakeholders	• Source the capital needed to support our planned lending growth • Further optimise funding programme and build investor engagement • Optimise cash management to support bank transition	• Fully embed a clear understanding of our Culture at all levels within the business • Evolve the hybrid working model as needed to balance business and colleague needs • Fully integrate our behaviours framework ready for life as a bank • Continue to deliver against our ESG Strategy	• Receive regulatory approval for becoming a bank • Deliver bank-ready operating model and risk and control framework • Build sustainable profitability and shareholder returns

REGULATIONS

During the year all relevant regulatory publications have been reviewed in detail by Belmont Green, any implications identified and required changes implemented within an appropriate timeframe. The volume of requests for information from the FCA has, as expected, increased during the year with particular focus on exercising forbearance for customers as the cost of living crisis developed. Belmont Green responds to such requests in a timely fashion and maintains robust controls to support the delivery of fair customer outcomes.

The FCA Consumer Duty sets higher expectations for the standard of support provided to customers, and challenges firms to evidence the customer outcomes they are delivering. Implementation of the new rules is staged (with the requirement for existing products to be compliant by July 2023, and closed products by July 2024). This has been a priority area for Belmont Green during the year with activity being championed by the Board, and a Non-Executive Director assigned responsibility for oversight of the programme. The areas targeted for implementation during 2023 were delivered as planned, with the focus now on implementation for the closed products by July 2024.

Belmont Green's approach against the four key outcomes is described in the Sustainability Report.

KEY EMERGING RISKS[4]

- Geopolitical risk
- Economic and competitive environment
- Credit impairment
- Material delay in securing banking licence
- Scale and pace of business change
- Information and cyber security risk
- Scale and pace of regulatory initiatives & change
- Embedding of Consumer Duty requirements
- Financial crime
- Climate risk

A review of each of these themes is provided in the Risk Report.

[4] Key and emerging risks are identified within each of the principal risk categories

OUR MARKET

OVERALL

2023 was a challenging year for both prospective and existing mortgage borrowers. The increase in Bank of England base rate across 2022 and early 2023 resulted in higher mortgage rates, significantly impacting on affordability, which was further exacerbated by high levels of inflation increasing the cost of living for many customers.

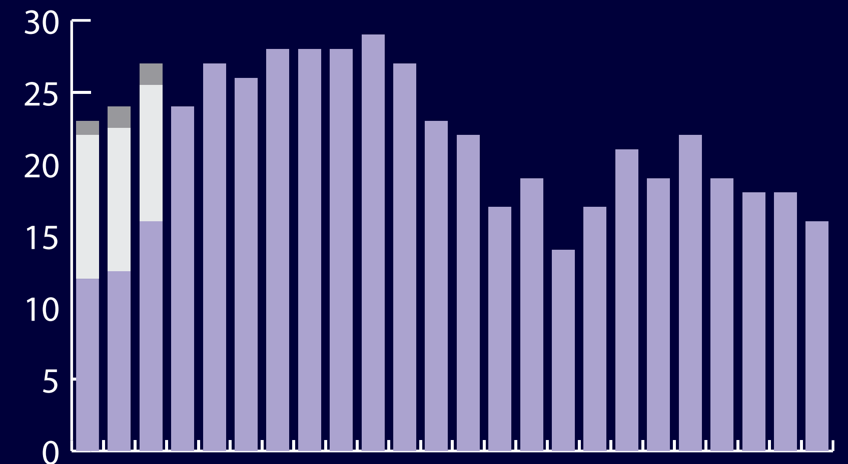
As well as mortgages becoming less affordable, potential borrowers also adopted a more cautious approach, due to a combination of the worsening economic backdrop and forecast reductions in house prices.

Against this backdrop, total residential property transactions in 2023 fell by 19% to 1,018,890, the lowest level since 2012. Overall gross lending in 2023 was £223bn, a 29% reduction from £314bn in 2022.

Reflecting the constraints outlined, the most significant driver of the reduction in the market was the home mover market which fell 31% in the year to £133bn.

Additionally, remortgage activity saw a decrease of 23% as a larger share of existing borrowers seeking to refinance chose to undertake a Product Transfer with their current lender. In such cases, full affordability assessments are generally not necessary, provided there is no increase in the loan amount or any other significant change. This shift contributed to an increase in Product Transfer transactions, which rose to £219 billion, a 11% uplift from the 2022 figures.

While both the Residential Owner-occupied (ROO) and Buy-to-Let (BTL) markets have shown similar trends, the decline in gross lending has been notably sharper in the BTL market. Specifically, there was a 50% decrease in overall advances to £28 billion, as



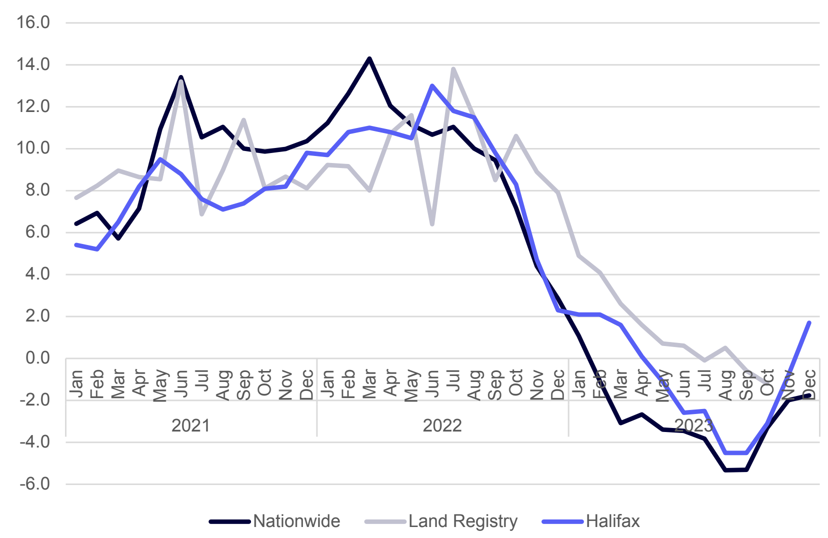
Monthly gross lending, non-seasonally adjusted
Source: Bank of England

reported by UK Finance, in contrast to a 22% reduction in the residential sector. The BTL market experienced downturns in both purchase and remortgage segments. Despite robust tenant demand, purchase activities have been adversely affected by rising costs and landlords' apprehensions about potential new regulations.

Our observations indicate that the downturn in the specialist market has been less severe, a situation attributed to a higher number of consumers facing difficulties in fulfilling mainstream lenders' criteria and a cautious shift in risk appetite among some prime mortgage lenders, which has, in turn, directed a larger customer base towards specialist lenders. We estimate the specialist market's value at £18 billion in 2023, marking a 21% decrease, which is less than the overall market contraction of 29%.

Despite the general market slowdown, demand for BTL within the specialist segment has remained relatively strong, with BTL lending constituting c. 76% of specialist gross lending. This proportion has stayed fairly stable throughout the year, buoyed by consistent underlying demand for privately rented housing and, consequently, a resilient specialist BTL borrowing sector. Over the past year, we've noted that while some smaller, amateur landlords are leaving the market due to economic and regulatory pressures, more seasoned investors continue to engage with the sector. This reflects the generally greater experience of landlords with specialist lenders due to larger average portfolios and a greater associated level of involvement. The ability of specialist landlords to diversify their income streams across multiple properties also renders them less susceptible to financial instabilities during economic downturns, enabling better management of adverse conditions.

House prices fell in 2023 across all the major indices, though the reductions seen were relatively modest and lower than anticipated by market commentators.



Annual House Price Change
Source: Land Registry,
Nationwide House Price Index,
Halifax House Price Index.

9. UK Finance, New mortgage lending by purpose of loan, Table MM23A, March 2023

10. IMLA, The New Normal – prospects for 2023 & 2024, Dec 2022

11. Office for Budget Responsibility, Housing Market Forecasts, Dec 2022

MARKET OUTLOOK

In December 2023 UK Finance forecast a further 5% contraction in the gross mortgage market in 2024, reflecting the higher rate environment and ongoing low consumer confidence. Our own view is slightly more positive, reflecting recent improving economic data and early evidence of rate reductions driving increased activity levels.

Anticipated interest rate reductions across 2024, and a gradual improvement in affordability and consumer confidence alongside pent-up demand is likely to limit any further reduction in house prices, with a potential for them to remain broadly flat year on year.

MORTGAGE ARREARS AND POSSESSIONS

UK Finance reported that the final quarter of 2023 saw 93,680 homeowner mortgages with arrears of 2.5% or more of the outstanding balance. This represents a 7% increase from the previous quarter and a notable 25% escalation from the same period in 2022. Despite these challenges, the rate of mortgage possessions varied, with 540 homeowner mortgaged properties being repossessed in Q4 2023, reflecting a 14% decrease compared to the preceding quarter.

The Buy-To-Let (BTL) mortgage sector faced its own set of challenges, with 13,570 mortgages in arrears of at least 2.5% of the outstanding balance in the last quarter of 2023, marking an 18% increase from the previous quarter and a striking 124% surge from Q4 2022. Repossessions in the BTL sector also increased, with 500 properties repossessed in Q4 2023, up by 11% from the preceding quarter.

While mortgage rates are anticipated to have peaked and are expected to begin a decline in 2024, the persistence of these figures highlights the continuing hardship faced by many borrowers. The sector's recovery remains incomplete, reflecting the sustained impact of the evolving economic landscape on homeowners and property investors. Fitch Rating's Global 2024 Credit Outlook estimated UK market late-stage mortgage arrears (3 months+) will increase from 1% for 2023 to 1.25% for 2024 and 1.40% for 2025.

In response, the government, in collaboration with the Financial Conduct Authority and lenders, has implemented the Mortgage Charter, providing vital support to UK mortgage holders. Additionally, lender-imposed stress tests have ensured borrowers' resilience against increased mortgage payments, even when interest rates surpass those at the inception of their mortgage agreements.

Notably, the total number of possessions across both BTL and homeowner mortgaged properties remained relatively low at 1,040 in Q4 2023, a stark contrast to nearly 2,000 possessions in Q4 2019, before the pandemic. This data underscores the effectiveness of the measures implemented to support mortgage holders, despite the growing financial pressures in the evolving economic climate.

OUR MORTGAGE BOOK

All our new mortgages are distributed through intermediaries, with 96% of lending in 2023 on a fixed rate basis, mainly with a 2- or 5-year term.

LENDING VOLUMES 2022/3 (£M)	2022	2023
NET NEW LENDING[12]	683	190
REPAYMENTS	(264)	(240)
ASSET SALE	(481)	-
NET LENDING	(62)	(50)
CLOSING BALANCE SHEET	1,750	1,699
PRODUCT TRANSFERS	113	305

In the latter half of 2022, given the prevailing economic climate, we undertook measures to significantly curtail new lending volumes. This decision came in the wake of a noticeable divergence between the costs of wholesale and retail funding, which gave a considerable competitive advantage to those mortgage lenders with access to retail deposits.

In response to these market dynamics, 2023 saw us refine our offerings to focus on delivering sustainable product returns rather than chasing volume. We achieved this by enhancing our lending criteria and streamlining our credit tiering strategy for both BTL and ROO loans, ensuring our continuing competitiveness in a challenging economic landscape.

The year 2023 concluded with new lending amounting to £190 million, of which £123 million (65%) was attributed to BTL and £67 million (35%) to ROO loans. This marked a shift from the 2022 distribution, where BTL loans constituted 81% and ROO loans 19% of our lending portfolio.

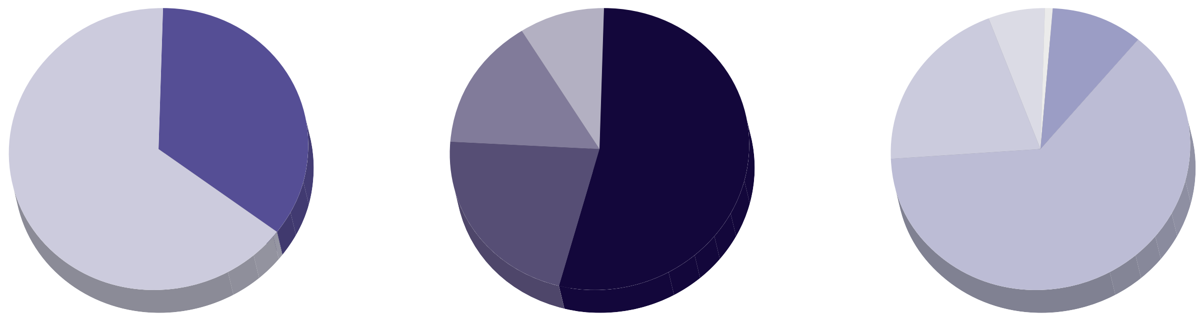
[12] Gross new lending net of forward flow

2023 NEW LENDING

In 2023, reflecting the reduction in our new lending aspirations, increasing product maturity volumes, and the prevailing market environment, we also made significant further improvement to our already strong product transfer proposition. Customers approaching the maturity of their product, or on a revert rate, are able to request a product transfer through our bespoke online portal either directly or via their broker. Further improvements made during the year included additional pre-maturity customer communications with enhanced wording to improve clarity, numerous customer journey improvements to our Product Transfer portal and system enhancements plus widening the availability of our portal to Packagers.

Our strong retention proposition helped to limit redemptions in 2023 to £240m (net of interest), slightly below the level seen in 2022, despite our 2023 product maturity volumes more than doubling from 2022. Product Transfer volumes in 2023 were £305m, an increase from £113m in 2022. Consequently, the proportion of customers taking a new deal with Vida increased to 62% of maturities in 2023, with the mix being predominately BTL (76%), broadly in line with the maturity mix.

2023 NEW LENDING



CHAIRMAN'S STATEMENT

As of 31 December 2023, the overall mortgage balances remained stable at £1.7 billion, with 74% of the lending attributed to BTL and the remaining 26% to ROO properties. A significant majority of our customers have chosen fixed-rate products, with only 9% currently on a variable rate. This figure was a slight decrease from the previous year, as many customers opted for the security of new fixed-rate deals amidst a rising rate environment.

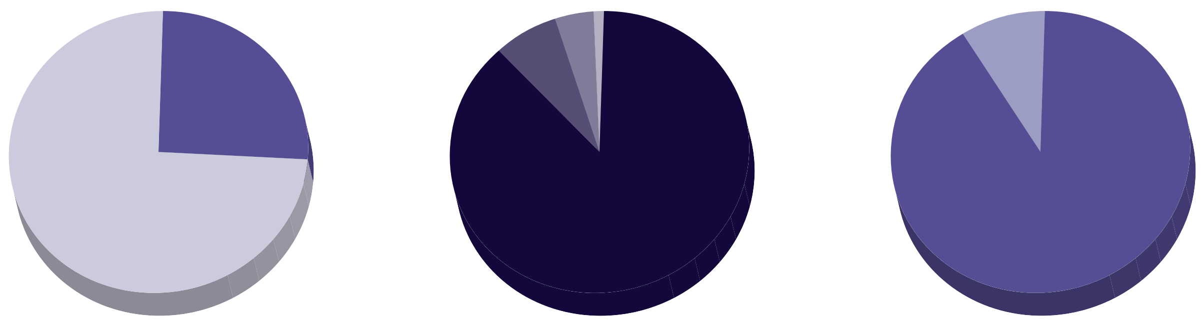
The loan book's weighted average current indexed Loan-to-Value (LTV) stood at 63% as of 31 December 2023, indicating a healthy balance in our lending practices. Notably, only 1% of the loan book had an LTV above 85% , reflecting our prudent approach to credit risk management. The average LTV for new mortgage lending in 2023 was 70%.

Our BTL portfolio, anchored in residential properties, includes loans for specialist property types such as Houses in Multiple Occupation (HMOs) and Multi-Unit Blocks (MUBs), which make up 22% (2022: 20%) of our BTL loan book. A notable 29% (2022: 25%) of the BTL portfolio consists of loans borrowed via limited companies, and approximately 42% (2022: 42%) of our BTL clients are portfolio landlords, each owning four or more properties. Despite the surge in mortgage interest rates, our origination practices have maintained a strong weighted average interest coverage ratio at 171% (2022: 172%), with an even higher rate of 219% (2022: 225%) for HMOs and MUBs. 97% (2022: 97%) of our BTL customers opt for interest-only mortgages, and five-year fixed-rate mortgages remain the preference for 86% (2022: 88%) of our clients, showcasing a significant demand for financial stability amongst our borrowers. The BTL loan book's weighted average Loan-to-Value (LTV) at origination and the average loan size have remained relatively stable, standing at 71% (2022: 72%) and £226k (2022: £229k), respectively.

Turning to our ROO portfolio, we continue to support diverse home ownership aspirations, with just over 50% of our lending directed towards first-time buyers. Our approach is inclusive, accommodating complex income scenarios or minor adverse credit histories in our affordability assessments. This inclusivity benefits, among others, the self-employed, where approximately 28% (2022: 29%) of our ROO lending has been where at least 1 applicant is self-employed. High loan-to-income (LTI) multiples above 4.5 remain a rarity, with the average LTI comfortably positioned at 3.4 (2022: 3.4). Most of our ROO customers, 95% to be precise, favour capital and interest repayment mortgages. Historically, the majority of these customers have shown a preference for either two or five-year fixed-rate mortgages, accounting for 42% and 56% respectively (2022: 48% and 51%). The weighted average LTV at origination for the ROO loan book and the average loan size have consistently been stable at 72% (2022: 72%) and £164k (2022: £164k).

We remain focused on supporting our customers and helping them navigate the changing economic environment. At origination less than 10% of our borrowers meet the FCA definition of 'credit impaired' as we continue to closely monitor customer behaviours. Arrears have increased from a low level as the loan book continues to season and the economic environment became more challenging. As of 31 December 2023, balances at or above three months in arrears were 2.2% (vs. 1.3% in 2022). The increase in arrears was largely due to the impact of the rising costs of living and borrowing on a small group of borrowers, and we continue to work closely with those needing assistance. The level of new forbearance requests remains low with 55 (2022: 52) live Agreement to Pay (ATP) as at the end of December, representing <1%% of the book.

BOOK SPLITS, AS OF 31ST DECEMBER 2023



LENDING TYPE

- Owner Occupied - **26%**
- BTL - **74%**

INDEXED LTV

- <= 75% - **87%**
- > 75% - <= 80% - **7%**
- >80% - <=85% - **4%**
- > 85% - <= 90% - **1%**
- > 90% - **0%**

RATE TYPE

- Fixed Rate - **91%**
- Variable Rate - **9%**

FINANCIAL REVIEW

JOHN ROWAN
CHIEF FINANCIAL OFFICER

"I have again been impressed with how our strategy, purpose and culture have guided our response to the external challenges posed and have provided real impetus to the support we have been able to give to our customers."

Given the challenging market conditions experienced in the year, we are pleased to report another year of statutory profit before tax of £6.0m (2022: £1.4m profit). This profit exceeded the targeted profit for the business in 2023 and there was a core operating profit before tax of £2.6m (2022: £11.6m profit) demonstrating the ongoing profitability of the business model. Further details are set out in the "Core Operating Profit" section below.

2023 saw a continuation in the volatility of both 2-year and 5-year swap rates, ranging between highs of 6.23% and 5.37% and lows of 3.79% and 3.27% respectively. The changes in the interest rate environment have shifted the competitive landscape and in particular the returns available for non-bank lenders. As such, we have focused on managing our balance sheet growth in line with preparing to become a bank.

Our origination levels in 2023 reflected a subdued market for both Residential Owner-Occupied and Buy-to-Let lending, with gross new lending of £190m (2022: 683m) for the year. This was supplemented by increased retention lending volumes of £305m (2022: £113m). As a result of this strong retention performance, our balance sheet remained stable with gross loans to customers of £1.70bn (2022: £1.75bn) at the end of 2023.

Our RMBS platform, Tower Bridge Funding, continues to be a highly regarded and respected funding franchise within the UK. Two transactions were executed in 2023 raising £750m. By the close of 2023, the company had completed ten public transactions, with the fifth of these successfully being called in June. Belmont Green utilises RMBS funding to augment warehouse funding capacity.

Throughout 2023, we continued to have access to four warehouse facilities. We have experienced strong support from our banking partners over the course of the year and successfully renewed two warehouses in the year at competitive rates, with our banking partners continuing to work with us to accommodate changes to lending policy, which allowed us to broaden our product offering.

In summary, this year we have achieved a statutory profit despite market headwinds and without access to deposit funding. We have delivered this profit whilst continuing to implement new, bank standard systems and procedures. Through a strong retention performance, the business has preserved the size of the mortgage book, in spite of the reduced new business originations caused by price shifts in the market. The successful completion of two RMBS transactions in the year with surplus demand demonstrates a continuation of the Tower Bridge Funding franchise's strong reputation. However, with wholesale funding market spreads remaining higher than pre-2021 levels and the aforementioned shift in mortgage pricing, having access to retail deposits will be of great importance to the business as we look to grow profitability in the future.

"This year we have achieved a statutory profit despite market headwinds and without access to deposit funding. We have delivered this profit whilst continuing to implement new, bank standard systems and procedures."

INCOME STATEMENT

NET INTEREST INCOME

Net interest income decreased to £33.7m from £42.9m in 2022, given the stability in the size of the mortgage book net interest margin (NIM) also decreased to 1.99% in 2023 (2022: 2.24%). The fall in NIM was largely driven by overall market competition putting pressure on the mortgage yields achievable on new lending.

Gross Funding costs increased to 6.15% compared to 2.93% in 2022[6] reflecting predominantly the higher interest rate environment and to a lesser extent funding margins. The increase in funding margin was largely driven by the replacement of existing deals with the completion of Tower Bridge Funding 2023-1 PLC and Tower Bridge Funding 2023-2 PLC which were priced at the higher prevailing market rate.

NET INTEREST MARGIN[13]

1.99%

2022: 2.19%

OTHER OPERATING INCOME

Other operating income of £0.9m in 2023 (2022: £(6.2)m) consisted principally of the servicing fees received on loans that were sold as part of the forward flow agreement in 2021 and 2022. The charge included in this line in 2022 included the loss of £9.6m on sale of a portfolio of loans.

FAIR VALUE MOVEMENTS

Fair value movements reflect the impact of changing interest rates on financial instruments held at fair value, primarily interest rate derivatives and the offsetting impact on the change in fair value of the underlying assets and floating rate liabilities, allowed due to the application of macro fair value and macro cash flow hedge accounting.

Belmont Green intends to hold its loans and financial instruments to maturity and these movements will unwind over the lifetime of the loans and the fair value movement is not viewed as part of the core performance of the business. In 2023, a profit of £3.9m was recorded from fair value movements compared to a loss of £0.7m in 2022. For further details on fair value movements, please refer to note 7 to the financial statements.

We continued to carry out pipeline hedging throughout 2023. These hedges are accounted for using cash flow hedging. As the loans that we intend to hedge are not yet on the balance sheet, a hedging relationship is formed between the floating interest rate on funding and the financial instruments. The ability to hedge loans at application stage, allows us to mitigate our exposure to swap rate fluctuations in the period between application and completion. This year, the amortisation of cashflow hedges which have been de-designated upon completion of the mortgage, have been reclassified from net profit/(loss) from derivatives to other interest income. This income, therefore, is now included within net interest income as this better reflects the economic impact of de-designated cashflow hedges. No adjustment has been made to prior year results on the grounds of materiality.

[13] Funding costs are defined as interest expense divided by total warehouse and securitisation funding on a 13-point average basis.

ADMINISTRATIVE EXPENSES

Once again, in 2023, cost control was a key focus area.
Despite incurring costs of £0.7m on building the infrastructure and making structural changes for bank readiness, total administrative expenses for the year decreased to £32.4m in 2023 compared to £35.5m in 2022. This was in a large part due to the review of headcount levels at the end of 2022 that reduced expenses by £3m on an annual basis. After excluding the one-off items highlighted in the Core Operating Profit section below, the comparison becomes £31.7m in 2023 versus £34.4m in 2022. This represents a 7.8% decrease.

IMPAIRMENT PROVISIONS

In 2023, the impairment charge in the income statement was £0.1m compared to a credit of £0.5m in 2022. This year we have taken the view that the number of Post-Model Adjustments (PMA) applied in previous years to the IFRS 9 model could be reduced, most notably with respect to affordability and EPC ratings.
The reduction in the Affordability PMA reflects the increased provisions being calculated by the IFRS 9 model as the rising cost of living was reflected in the increased risk profile of the customer base. The EPC PMA was removed following government legislation that scrapped the requirements for EPC ratings for Buy-to-Let properties.
Arrears levels increased steadily during 2023. At the end of 2023, loan balances at or above 3 months in arrears made up 2.2% of the total loan book compared to 1.3% in 2022. An element of this increase is attributable to the relative seasoning of our book which was then re-enforced by our subdued levels of new origination this year. We will continue to monitor these trends going forward and take action as and when necessary.

STRATEGIC REPORT

CORE OPERATING PROFIT

The statutory profit before tax for 2023 was

£6.0m

(2022: £1.4m profit)

whilst the core operating profit was

£2.6m

(2022: £11.6m)

The statutory profit before tax for 2023 was £6.0m (2022: £1.4m profit) whilst the core operating profit was £2.6m (2022: £11.6m). Core operating profit excludes items of income or cost that are considered to be one-off in nature and fair value accounting adjustments that are outside the Group's control. The table below sets out the adjustments made to operating profits, as well as the individual net interest income and administrative expenses components, in the derivation of core operating profit.

Items which were not considered core operating items included the fair value volatility on financial instruments that are part of the Group's hedging arrangements of on-balance sheet exposures that will unwind over the lifetime of the loans. Implementation costs related to the build of the infrastructure to become a bank and the costs of the banking licence application have been treated as adjustments in deriving core operating profit. The one-off loan portfolio sale in 2022 was not considered to be a regular part of our business model.

	2023			2022		
	Net interest income £m	Admin expenses £m	Profit before taxation £m	Net interest income £m	Admin expenses £m	Loss before taxation £m
Per Consolidated Statement of Comprehensive Income	33.7	(32.4)	6.0	42.9	(35.5)	1.4
Adjustments						
Loan portfolio sale						9.6
Fair value volatility			(3.9)			0.7
Remediation provisions	(0.1)		(0.2)	(0.9)		(1.2)
Restructure					1.0	1.0
Lease termination					0.1	0.1
Banking licence one-off costs		0.7	0.7			
Core income/expenses/profit/(loss)	33.6	(31.7)	2.6	42.0	(34.4)	11.6

BALANCE SHEET

Gross loans to customers decreased by 2.9%, to £1,699m (2022: £1,750m). Buy-to-Let loans made up 74% of the loan book at 31 December 2023 (2022: 73%).

Wholesale funding totalled £1,677m at the end of 2023 (2022: £1,749m), of which £1,239m related to securitisation funding (2022: £1,118m). The Tower Bridge Funding 2020-1 PLC securitisation was successfully called in June 2023, temporarily reducing the total amount of securitisation funding, with the bulk of the loans from that deal being moved into the Tower Bridge Funding 2023-1 PLC securitisation.

Total share capital, of which 99.5% has been provided by Belmont Green's private equity investor, Pine Brook, stood at £204m (2022: £204m). The business is confident it will continue to benefit from the support of its core shareholder for the foreseeable future. To achieve future profitability, the business will look to three key drivers. Accessing deposit funding as soon as possible, maintaining the size of the current book in preparation for the banking licence, and preserving a streamlined and efficient cost base. This strategy will allow us to preserve capital for deployment later in the year, making full use of the superior spreads facilitated by deposit funding.

OUR APPROACH TO SUSTAINABILITY

At Belmont Green we believe a clearly articulated approach to sustainability is how we best support our purpose and deliver our business strategy and in a way which is consistent with our values. We believe we can have a genuine and positive impact and by implementing our ESG Strategy we will have the best chance of becoming the sustainable bank which we aspire to be.

Our Environmental, Social and Governance (ESG) Strategy was approved by the Board in December 2022 and throughout 2023 we have focussed on implementing the Strategy and embedding a sustainable mindset across the business. A number of important initiatives have been delivered and we have enhanced our data and reporting, therefore we were delighted that the progress we have made was recognised with a gold medal accreditation from EcoVadis, one of the world's leading business sustainability rating companies placing Belmont Green in the top 5% of companies assessed by them.

We have integrated sustainability in the way we operate our business, supporting the underserved borrower, nurturing a diverse and committed workforce and ensuring we make a positive contribution to society, and contribute to the three United Nations Sustainable Development Goals we identified in 2022 that align with our strategy.

In 2023 we updated our materiality analysis to understand the sustainability topics that matter most to our stakeholders, and we were pleased that the feedback showed that our current strategy, including our Culture and ESG Priorities align with the material topics identified.

CUSTOMER SATISFACTION	RISK MANAGEMENT	EMPLOYEE HEALTH & WELLNESS	BUSINESS MODEL RESILIENCE	ENVIRONMENTAL MANAGEMENT	CULTURE & PURPOSE
Providing products and services which give good customer outcomes, ensuring support is available for vulnerable customers.	Managing both financial and non-financial risks within the business. Ensuring our business is protected from and prepared for risks and potential disruptions.	Providing a safe and flexible workplace and supporting employees' health and wellbeing.	Ensuring that our business can survive under potentially difficult market conditions.	Reducing the impact we have on the environment through our operations and activities.	Ensuring our caring culture and Vida values are central to the way we in which we achieve our goals.

We will continue to enhance our sustainability-related disclosures as the governance and reporting landscape for ESG continues to develop and we will seek to set more ambitious targets and deliver further initiatives that will support our stakeholders.

Embedding ESG into the culture and governance across Belmont Green will help to ensure we achieve good outcomes for our customers, our colleagues feel supported and empowered, our company effects responsible decision making, and we are able to have a positive impact with our charity partners and our wider business community.

OUR ESG STRATEGY

At Belmont Green our culture is founded on the ethos of caring, it sits at the heart of our values, driving the way we run our business and interact with our stakeholders. Our ESG Strategy is an integral part of our Culture Strategy and builds upon a number of the Culture Priorities where directly relevant to ESG matters, supporting our Purpose and delivery of our strategic plan.

Our ESG Vision is simple and focuses on building a safe and sustainable business. It takes into account the interests and priorities of all our stakeholders whom we consider through the cultural framework of 4C's; our Customers, our Colleagues, our Company and the wider Communities in which we operate.

PURPOSE

To help more people find a place to call home

VISION

To be recognised as the leading challenger brand in the UK specialist mortgage market, driven by our commitment to decisioning excellence, innovative propositions and trusted intermediary relationships

ESG PILLARS

CUSTOMERS	COLLEAGUES	COMPANY	COMMUNITY
Support customers to achieve their housing and financial objectives and help when times are challenging	**Provide an enabling and supportive workplace where colleagues enjoy working at Vida**	**Operate transparently and responsibly in all that we do**	**Have a positive impact on the wider community and environment**

CUSTOMERS

At Belmont Green, our commitment to understanding, respecting, and addressing our customers' needs has been pivotal in establishing a successful, sustainable, and responsible specialist mortgage lending business. Our goal is to broaden access to our services, enabling both new and existing mortgage customers to progress on their home ownership or landlord journey through competitive product offerings.

In 2023, we streamlined our credit tiering for both ROO and BTL markets to enhance accessibility for more customers, particularly those with past adverse credit issues. We implemented several improvements to our lending criteria, covering borrower, affordability, and property requirements. Furthermore, we expanded our support for homeowners, landlords, and intermediary partners by introducing new products. These include a range of Later Life lending option and the inauguration of our bespoke Premier Packager Club, offering a unique proposition and service tailored to more specialist customers.

Our approach is underpinned by a commitment to treating customers fairly and fulfilling regulatory obligations, principles that guide decision-making at both the Board and Committee levels. We have undertaken important steps in embedding the Consumer Duty requirements across the business in order to continue to deliver good outcomes for our customers. Our colleagues continue to work hard to provide the high levels of service that our customers and intermediary partners expect, and we ensure that support is offered to all customers, including those who may be vulnerable or in financial difficulty, throughout their journey with Belmont Green. The Senior Independent Director, who is the Chair of the Board Risk Committee, is also our Consumer Duty Champion. This helps us ensure that in the discussions and challenge taking place at Board level, the principles and practice of under the Consumer Duty are truly embedded into the organisation driving good outcomes for customers.

"**Amazing support**, answering the phones in a timely manner and above all else, the human touch to underwriting. Worth it's weight in gold with complicated portfolios. Shout out to Anastasios Demetriades for his time and support with my latest case."

1.18%

CLAIMS FILED UNDER THE NEW 'SERVICE PLEDGE' GUARANTEE

REGULATORY CONTEXT – CONSUMER DUTY

Our progress towards implementation of the Consumer Duty is covered in the Strategic Progress section. The below summarises this approach against the four key outcomes:

Products and Services – We have a robust Product Governance Framework in place to ensure our products are designed to meet the needs of our target customers. As part of the framework, a 'Value Proposition Canvas' has to be completed for all new propositions. This includes clearly identifying the target borrower and their needs, and how the proposition will meet those needs. The framework also includes Annual Product Reviews to monitor that our products are performing as anticipated.

Price and Value – Our approach to pricing is designed to offer fair value to customers throughout their product lifecycle. Our pricing principles are the cornerstone of this approach and are the standard that all product and pricing changes have to meet. These principles cover new business, retention products and revert rates and are supported by a robust pricing model, which allows full assessment of each product against the principles set. Further detail on our assessment of fair value is included earlier in this section under 'Our Pricing Strategy and Assessment of Fair Value'.

Consumer Understanding – We believe it is important that all customers taking a new mortgage receive impartial advice to enable them to make an informed decision. Consequently, our new lending is distributed solely through intermediaries. We provide intermediaries with full details of our products, pricing and criteria, which is supported by both more detailed information on our website and our V-Hub, giving intermediaries direct telephone access to our underwriters. Further information is provided earlier in this section in 'Intermediary Distribution'. Product Transfers are able to be made direct through our online portal both on an execution only basis, as well as through an intermediary. All customers approaching the maturity of their product are sent a number of written communications detailing the options available to them at maturity. Within both these communications and our online portal customers are recommended to contact an independent financial advisor if they are unsure of the best option for them. As part of our Product Governance Framework a Value Proposition Canvas has to be completed for all new propositions, which includes sections on how we will ensure customer understanding, an assessment of the suitability of the distribution strategy, and consideration of the impact on vulnerable customers.

Consumer Support - Post completion, customers are supported by our contact centre and a dedicated existing customer section of our website. Our contact details are prominently displayed in all communications, both pre and post completion, as well as on the website. Our online mortgage service allows customers to check their mortgage balance, make a payment and contact our customer service team. Customers are proactively encouraged to contact us if they have any concerns making their mortgage payment. This is supported by online content with details of debt advice and support available. Robust processes exist to support vulnerable customers, with markers used to ensure they are clearly identifiable and ensuring that the customer is supported appropriately.

We continue to maintain strong dialogue with our intermediary partners and are committed to the highest standards of customer care. The changes we made to our operating model in 2022, providing our intermediary partners with direct access to our underwriters through our V-Hub and the launch of our 'service pledge' in early 2023, both demonstrate our commitment to offering excellent service. This is key in our business model when delivering excellent service to our intermediary partners that our customers benefit as a result.

Customer service is closely monitored and discussed at the Customer Committee and the Board. Quarterly engagement surveys are run to seek feedback directly from our customers and intermediary partners, and in 2023 our Intermediary NPS score remained consistently positive throughout the year, reaching +34 in Quarter 4. The overall NPS score for the year was +32 (2022: +35). We also achieved 'Excellent' status on Trustpilot at 4.4 out of 5 (2022: 3.8), with over 700 reviews.

An established governance framework, policies and procedures are in place to ensure we lend responsibly within our credit risk framework and risk appetite and that we observe best practice in looking after our customers and their data. Such policies include Responsible Lending Policy, Credit Lending Policy, Customer Policy including Vulnerable Customers and Arrears Management Policy.

Personal information is managed in accordance with the Data Protection Regulation and the General Data Protection Regulation Principles. The Data Protection Policy is owned by the Chief Risk Officer, with day-to-day responsibility delegated to the Director of Compliance who is also our Data Protection Officer and outlines the risks and procedures which are in place, privacy notices are also available on our websites. Annually all colleagues are required to complete data protection training and assessment to ensure they understand the obligations placed on them and the company.

At Belmont Green, we recognise that we don't always get everything right, and our published Complaints Policy details our approach to handling complaints to ensure fair outcomes for our customers. We are committed to managing complaints justly and resolving them as swiftly as possible. Our goal is to learn from these complaints by identifying and addressing the root causes. Information on how complaints are handled is regularly reviewed and discussed at the Customer Committee, with significant findings escalated to the Board Risk Committee and subsequently reported to the Board. In 2023, we referred 16 complaints to the Financial Ombudsman Service (FOS), none of which were upheld, affirming the effectiveness of our internal resolution mechanisms.

We remain very aware of the challenges and downside risks related to rising living costs and higher interest rates and recognise that some customers using our products may become vulnerable due to personal or unforeseen circumstances. We aim to provide a proactive approach to the handling of such customers to ensure fair treatment and good customer outcomes by exploring and agreeing reasonable measures of support. Customer vulnerability is well documented and understood across the business with Vulnerable Customer Standards supporting an overarching Customer Policy. The identification of and fair treatment of vulnerable customers is monitored by all three lines of defence in their relevant monitoring and testing frameworks. Key risk indicators and oversight management information are reported to the Customer Committee and, where appropriate the Executive Risk Committee and Board Risk Committee.

From the start to the end of their journey with us, we want to ensure our customers can trust us to put their needs and financial objectives at the centre of every decision we make, to do what's right and to support them through the challenges they face along the way.

COLLEAGUES

Our colleagues are the foundation of our business, and we want to create an inclusive workplace environment in which colleagues are encouraged to develop and pursue their personal and career goals, where they feel valued and understand the contribution they are making to Belmont Green.

LEARNING AND DEVELOPMENT

Our updated Learning and Development Framework encourages personal and professional development and provides a wealth of training support and opportunities through our new digital learning hub and through face-to-face workshops led by our Learning and Development team. During 2023 a series of soft skills workshops was made available to all colleagues, and we supported a number of colleagues through professional qualifications.

All colleagues are required to undertake specific training modules throughout the year to ensure they have the skills necessary to undertake their roles and we support colleagues in gaining professional qualifications where required. At an individual level,

people managers are expected to drive conversations about our values and behaviours with their teams and to support colleagues with the implementation of their Personal Development Plan. An online performance management tool, *Appraisd*, is used and specifically prompts discussion and feedback on each colleague's alignment to our culture and values, and development progress conversations are prompted at all mid-year and end-of-year reviews.

RECOGNITION

An important part of the Belmont Green culture is to ensure our colleagues' voices are heard and that their contribution is recognised. Sitting within our virtual workspace, our recognition platform, Applause, encourages greater interaction from all areas of the business and makes it easy for people to say 'thank you' or 'well done'. In 2023 over 361 shout outs were given to colleagues and 289 colleague nominations and 25 group nominations were made for a V-Star award, our quarterly awards process which invites colleagues to recognise their peers for demonstrating our values and celebrating where individuals have gone above and beyond.

In March 2023, we initiated 'The Big Idea,' inviting colleagues to suggest improvements to our work processes, and we are delighted to have collaborated with individuals and groups from all corners of the business to implement the top three ideas that emerged.

25 RECOGNISED AS TOP 25 COMPANIES IN FINANCIAL SERVICES TO WORK FOR IN THE UK ACCORDING TO BEST COMPANIES

81% OF COLLEAGUES ARE HAPPY WITH THE BALANCE BETWEEN WORK AND HOME LIFE

EQUALITY, DIVERSITY AND INCLUSION

At Belmont Green, we are committed to encouraging a supportive and inclusive culture. We believe that promoting diversity within the workplace is simply the right thing to do and we strive to ensure that those who work within our business reflect the customers and communities we serve.

Being an inclusive business is key, not just to ensure a sense of belonging within the organisation and to retain colleagues, but to be able to understand and respond to the needs of our customers and other stakeholders who represent the whole spectrum of a diverse society.

We want Equality, Diversity and Inclusion (EDI) to be at the heart of the organisation and to run through everything that we do. Through our policies and calendar of initiatives to support awareness, we have made good progress in promoting diversity within Belmont Green.

Our EDI Charter outlines our commitments, and the EDI Forum consists of colleagues from across the business who bring a diverse set of views. Together, they have developed a focused agenda that encourages discussion, engagement, and improved awareness. This includes initiatives such as ensuring gender diversity and promoting the development of women, supporting people with disabilities (including those with hidden disabilities), celebrating different cultures, races, and religions, as well as a commitment to raising awareness around the importance of good mental health. In 2023, we were also proud finalists at the Financial Reporter Women's Recognition Awards.

87% OF COLLEAGUES VALUE THE FLEXIBILITY TO WORK IN WAYS THAT SUIT THEM BEST

CULTURAL DIVERSITY[14]

29%

2022: 30%

[14] % non-white.

ENGAGEMENT

We were delighted to be recognised in the 2023 Best Companies league tables as one of the top 25 companies in financial services and top 100 best mid-sized company to work for in the UK. At a company level, culture and employee engagement is measured through our annual engagement survey and colleague engagement remains high with engagement levels in excess of 90%. In February 2024, we were awarded a Best Companies '1 Star' accreditation, signifying 'very good' workplace engagement levels once again. Insights from the 2023 survey have been instrumental in identifying areas for improvement, leading us to develop targeted action plans alongside our Culture Champions.

Colleague wellbeing is very important to us. At the beginning of 2022 we moved to a hybrid working model which has enabled colleagues to better balance work and home lives in a way which suits their own needs as well as the business. We reviewed our employee proposition during 2023 and made enhancements to maternity, paternity and shared parental leave benefits and introduced V-Time; an approach to unplanned leave which supports colleagues by giving them the space and time they need when they need it. Annual leave was also increased, and all colleagues receive an additional day of leave for their birthday. In the latest engagement survey, 81% of colleagues confirm that they are happy with the balance between work and home life, while 87% report having the flexibility to work in a way that suits them.

All colleagues are offered a comprehensive benefits package to support their professional and personal needs. This includes private medical cover, annual health MOT, Life Assurance, Income Protection Assurance, Company Pension and Annual Leave. With the rising cost of living we have hosted financial wellbeing sessions through our external benefits brokers AON. Several channels are in place to help colleagues and their families should they need support, including Vitality and our Employee Assistance Programme and we have 9 Mental Health First Aiders across the business who help raise the understanding of mental health in the workplace and provide initial support and signposting to colleagues.

To support the embedding of our values and creating a caring culture where people feel a sense of belonging and engaged with the business, we have the role of Culture Champion. Our Champions' network is made up passionate colleagues, with representatives in all departments. In line with the refresh of our values, the role of our Culture Champions evolved, and key responsibilities include:

- ACTING AS A ROLE MODEL FOR OUR VALUES.
- HELPING US TO EMBED AND BRING TO LIFE OUR UPDATED VISION, PURPOSE AND VALUES.
- ENCOURAGING PEER-TO-PEER RECOGNITION AT ALL LEVELS.
- SUPPORTING OUR PARTNERSHIP WITH CRISIS.
- ENSURING OUR PEOPLE KNOW THEY HAVE A VOICE AND THAT IS HEARD BY REPRESENTING THEIR TEAMS AT MONTHLY MEETINGS.
- HELPING US TO PLAN, FACILITATE AND PROMOTE SOCIAL ACTIVITIES.
- ENCOURAGING TEAMS TO COMPLETE OUR ANNUAL ENGAGEMENT SURVEY, PULSE SURVEY AND COLLEAGUE NPS

COMPANY

We are building a brand which we want all stakeholders to trust, delivering our strategic priorities in a manner consistent with our cultural values in an environment where everyone takes accountability, speaks up and does the right thing. Operating within a robust governance and risk framework helps ensure that the decisions and actions we take are ethical, support good customer outcomes and align with our purpose and values. To achieve this, we believe that having a diverse workforce, including among the senior decision makers, is key to enabling better decision making which avoids groupthink and allows for a variety of perspectives to be heard. This in turn assists with both the recruitment and the retention of talent.

Belmont Green actively monitors diversity metrics through its ESG Scorecard and made a significant commitment to gender equality by endorsing the Women in Finance Charter in 2021. We proudly achieved a gender balance target of 50/50 among men and women across our Senior Management in 2023. This group includes the Executive Team, Management Board, and Heads of Function. Striving for these ambitious targets, we leverage a hybrid working model and a compelling employee value proposition.

This year, we've implemented several initiatives to foster diversity, such as overhauling our recruitment process to anonymise CVs, ensuring discrimination-free selection, diversifying interview panels, and launching training programmes focused on inclusivity and bias mitigation for managers. These efforts are designed to propel diversity improvement across the organisation.

As an advocate for equal opportunity, Belmont Green pledges to remunerate all employees at least at the level of the National Living Wage. Since 2020, we have voluntarily produced gender pay gap reports, a practice we intend to maintain. Oversight of gender pay disparities and the formulation of corrective measures are entrusted to the Remuneration and Nominations Committee and Culture Committee, underscoring our commitment to fairness and equality in the workplace.

Looking ahead to 2024, we will refine our approach to data collection and set out new, and better informed targets.
This initiative will be undertaken with a keen awareness of regulatory standards, ensuring our objectives align with both our commitment to diversity and compliance obligations.

50/50

GENDER BALANCE IN SENIOR MANAGEMENT

COMMUNITIES

Belmont Green is committed to supporting the communities in which we serve. We seek to foster partnerships where we can make a difference and have a positive impact on the wider community and environment, and we believe in the value of giving back of our time, skills and resources.

GIVING BACK TO THE COMMUNITIES

In 2020 a three-year partnership was established with Crisis whose mission is to end homelessness in the UK for good and their work is founded on the belief that everyone should have a safe, stable place to live. We share the same belief and throughout the year colleagues from across the business have engaged in fundraising activities for Crisis including the Vida Summer Challenge and Vida Alternative Marathon and we fulfilled our commitment to contribute £150,000 to Crisis. We view our partnership with Crisis as an important part of our giving back to community and we will therefore continue our partnership over the long-term, we have also taken into consideration colleague feedback and from 2024 as well as supporting Crisis, colleagues can support charities or local community groups of their choice through the Give As You Earn scheme.

To support the wider community, everyone at Belmont Green is given a volunteering day and we want to support as many colleagues as possible to participate in giving back into their local communities, whether this is by using all or part of their volunteering day in one go, or an hour at a time. In 2023 44% of colleagues used their volunteering day, and our Culture Champions will continue to help to plan, facilitate, and promote community activities. Aligning with our hybrid working model we intend to broaden our range of community programmes to further support local initiatives.

Our community extends beyond our charity partners to our wider business community stakeholders. Maintaining open and effective relationships with the third-party business partners with whom we work forms an integral part of our business model and we are committed to undertaking sustainable procurement wherever possible and to developing this area as part of our ESG strategy.

SUPPLIERS

In 2023 our Outsourcing and Supplier Policy and approach to onboarding and due diligence were reviewed to embed ESG considerations and strengthen our supplier oversight. Management is responsible for the day-to-day success of the supplier relationships, with a robust governance and oversight model in place to ensure that key service levels and metrics are constantly monitored and reviewed. The Board Risk Committee receives periodic updates regarding our material outsource service providers to ensure it retains oversight and is satisfied that the relationships continue to add strategic value to the business.

During our supplier selection and due diligence process we consider whether the supplier has a good reputation, acts in an ethical manner and is socially responsible consistent with our values. As part of the due diligence process, we will consider if the supplier has an ESG plan or strategy, including its carbon emissions strategy, reporting and reduction targets and will request information on the suppliers' approach to equality, diversity and inclusion, modern slavery, labour practices and health and safety. Monthly relationship management meetings and quarterly reviews are conducted for our Class 1 and 2 suppliers.

We expect our suppliers to perform to the same standards of performance, culture, values and conduct as we expect of ourselves, and our new Supplier Code of Conduct was shared with our Class 1 suppliers in 2023.

£150K

£150,000 DONATED TO CRISIS OVER A 3-YEAR PARTNERSHIP

44%

OF COLLEAGUES UTILISED THEIR VOLUNTEERING DAY FOR COMMUNITY SUPPORT

ENVIRONMENT

We support the UK Government's pathway to Net Zero by 2050 and even as a small business we are conscious of the impact we have on the environment around us and that it is important that we act where we can, to minimise our contribution to climate change.

Our direct environmental impact through our own business operations is relatively low, however we generate carbon emissions indirectly through the properties on which we lend and our supply chain.

We have committed to reducing our scope 1 and 2 operational emissions by 50% from the 2019 baseline by 2030 and our strategy to achieve this reduction is embedded in our Agile Working Policy, ensuring that our business model uses the benefits of technology to enable effective communications without requiring significant travel. Where travel is required, colleagues should consider the most environmentally friendly way to reduce their carbon footprint, and walking, cycling or commuting by public transport are all actively encouraged. Season ticket loans are available to colleagues who rely on public transport to attend their work location.

Alongside this we have taken the opportunity to reassess our office space and have taken actions which will reduce the energy consumption at our Head Office.

We continue to seek to reduce the amount of waste we produce, by avoiding, re-using and recycling wherever possible. We have put in place a variety of strategies across the business to encourage colleagues help us be more sustainable. We do not use single use plastic at our Head Office, reusable mugs and water bottles have been provided, recycling bins have been installed and our Head Office waste is recycled, we aim to not send anything to landfill. We are also moving closer to a paperless environment; mortgage applications are processed on a paperless basis through to completion and all Board and Committee papers are now shared and viewed via Diligent software. We will only procure FSC certified paper ensuring all the paper we use is sourced responsibly, demonstrating our commitment to responsible forestry and encourage key suppliers who print for us to do the same. Stationary, office equipment, clothing and marketing materials will be, where possible, purchased from ethical and sustainable sources.

During 2024 and beyond we will look more broadly at how we as an organisation can reduce our environmental impact. We will work with the owners of our office locations to ensure our waste is disposed of in an environmentally responsible way and investigate further initiatives that will reduce our emissions and help offset our carbon footprint. Since 2022 we have purchased carbon credits to offset our operational emissions and in 2023 184 Verified Carbon Units were purchased through Forest Carbon Limited and registered on The Verra Registry, supporting international projects.

As a responsible lender we realise that we can have a material impact on the energy use from properties subject to our mortgages including through our lending policies, product development and pricing. We will explore different options for monitoring this performance as part of our risk framework for managing their impact on climate change. We continue to monitor the consultations concerning the energy efficiency of domestic and non-domestic properties.

As part of our environmental strategy, we have committed to voluntarily reporting on scope 3 emissions and to improving the scope and accuracy of the data we publish each year. During 2024 we will look to engage with our key suppliers to better understand the emissions linked to the goods and services that we purchase and further develop our sustainable procurement approach to ensure that our suppliers' ESG strategies are aligned with our own goals.

We are committed to developing our climate-related reporting capabilities and disclosures in coming years and will continue to further enhance our understanding of what we need to do.

ESG GOVERNANCE

Operating within a robust governance and risk framework helps ensure that the decisions and actions we take are ethical, support good customer outcomes and align with our purpose and the delivery of our strategic objectives in a way which is consistent with our values.

The CEO has overall accountability to the Board to ensure that sustainable and responsible practices are embedded within the business including those associated with environment / climate. He is the senior manager responsible for ensuring the identification and management of financial risks arising from climate change under the Senior Managers and Certification Regime.

In relation to sustainability the Board is specifically responsible for:

- APPROVING BELMONT GREEN'S VALUES AND CULTURE STRATEGY.
- DEVELOPING, REVIEWING, AND MONITORING OF THE APPLICATION OF OUR CULTURE AND VALUES.
- OVERSIGHT OF ANY STRATEGIC ELEMENTS RELATING TO ESG INCLUDING APPROVAL OF THE ESG STRATEGY.
- REVIEWING OUR COMPLIANCE WITH RELEVANT CORPORATE GOVERNANCE CODES.
- APPROVING THE ANNUAL MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT.
- OVERSEEING AND MANAGING OF OUR OVERALL FRAMEWORK OF RISK MANAGEMENT.
- OVERSEEING OF FINANCIAL REPORTING AND CONTROLS.
- OVERSEEING OF FINANCIAL CRIME, INFORMATION SECURITY AND DATA PROTECTION.
- APPROVING THE WHISTLEBLOWING POLICY AND REVIEW OF REPORTING.
- SETTING OUR REMUNERATION POLICY AND MATERIAL CHANGES TO COLLEAGUE BENEFITS.
- APPROVING MATERIAL OUTSOURCING OPERATIONS AND ARRANGEMENTS.

The Board Risk Committee is responsible for the monitoring and oversight of climate and transition risks.

The Board receives regular updates on our ESG progress and ESG considerations and metrics are set out in an ESG Scorecard which is aggregated into our overall Company Scorecard which is reported to the Board monthly and measures our performance as an organisation. Progress against the Company Scorecard is taken into account in determining directors' remuneration, bonus, and performance levels.

Other Executive Committees play a significant role in developing and overseeing the delivery of our ESG strategy. The Customer Committee focuses on customer and conduct matters and the Culture Committee people and culture matters including ESG and EDI. The ESG Forum and EDI Forum were established in 2021 and have cross functional representation and directly report into the Culture Committee, which reports to the Remuneration and Nominations Committee and to Board.

HUMAN RIGHTS

Belmont Green prioritises respect for all human rights, particularly emphasising non-discrimination, fairness, and privacy. These principles are crucial for our key stakeholders: customers, colleagues, and suppliers.

Operating solely in the UK, Belmont Green adheres to the Human Rights Act 1998, integrating the European Convention on Human Rights into UK law. We have established systems to ensure our operations align with all legal obligations and to identify any new or emerging requirements.

The responsibility for upholding human rights across Belmont Green lies with the Board and CEO. Our goal is to proactively manage potential negative impacts on human rights while fostering positive outcomes. This commitment is embedded in our employment, equality, customer treatment, and information security policies.

Our policies are designed to ensure compliance with UK laws and regulations by employees and business partners, promoting best practices. Our policies are formulated and kept up-to-date by the relevant business areas, authorised in accordance with the governance procedures and are communicated to all employees.

Our compliance with human rights regulation is integral to our overall compliance framework, and any breaches or potential breaches would be investigated and addressed through the Enterprise Risk Management Framework and, if appropriate, its disciplinary procedures. There were no cases of human rights investigations raised in 2023.

We comply with and support the objective of the Modern Slavery Act 2015, in raising awareness of modern slavery and human trafficking. Belmont Green is committed to ensuring there is no modern slavery or human trafficking in our supply chains or in any part of the business and to acting ethically and with integrity in all business relationships. Belmont Green actively engages with suppliers to ensure compliance with Modern Slavery legislation is achieved. This commitment is reflected in our Supplier Code of Conduct.

Belmont Green publishes an annual Modern Slavery Statement, describing policies for ensuring compliance, which can be found on the Belmont Green website.

The company undertakes extensive monitoring of the implementation of all its policies and is not aware of any incident in which the organisation's activities resulted in an abuse of human rights or a breach of Modern Slavery legislation. No fines or prosecutions in respect of non-compliance with human rights legislation, including Modern Slavery legislation, have been incurred in the last financial year.

STRATEGIC REPORT

NON-FINANCIAL INFORMATION AND NON-FINANCIAL KEY PERFORMANCE INDICATORS

This section constitutes the Non-financial Information Statement, prepared in order to comply with Sections 414CA and 414CB of the Companies Act 2006. The information is provided by cross-reference:

REPORTING REQUIREMENTS	POLICIES AND STANDARDS WHICH GOVERN BGFL APPROACH	REFERENCE
ENVIRONMENTAL MATTERS	• Environmental, Social and Governance Policy • Credit Lending Policy	Sustainability Report, Directors' Report, Risk Report
COLLEAGUES	• Employee Handbook • Agile Working Policy • Equality, Diversity and Inclusion Policy • Family Policy • Health and Safety Policy • Whistleblowing Policy • Absence Management Policy • V-Time Policy • Disciplinary Policy • Capability Policy • Health and Safety Policy • Grievance Policy • Recruitment and Selection Policy	Sustainability Report, Risk Report
SOCIAL MATTERS	• Responsible Lending Policy • Credit Lending Policy • Customer Policy including Vulnerable Customers • Arrears Management Policy • Operational Resilience • Volunteering Policy • Complaints Policy	Sustainability Report, Risk Report

REPORTING REQUIREMENTS	POLICIES AND STANDARDS WHICH GOVERN BGFL APPROACH	REFERENCE
HUMAN RIGHTS	• Modern Slavery Statement • Data Protection Policy • Record Retention and Destruction Policy • Supplier Code of Conduct • Privacy Notices	Sustainability Report, Risk Report
ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS	• Anti-Bribery and Corruption Policy • Anti-Money Laundering Policy • Fraud Policy • Conflict of Interest Policy	Sustainability Report
STAKEHOLDERS	• Outsourcing and Supplier Policy • Disclosure Policy	
GOVERNANCE	• Committee Terms of Reference • Financial Crime Framework • Legal Framework • Enterprise Risk Management Framework	Corporate governance, Risk Report
DESCRIPTION OF BUSINESS MODEL		Business Overview
DESCRIPTION OF PRINCIPAL RISKS AND IMPACT OF BUSINESS ACTIVITY		Risk Report
NON-FINANCIAL KEY PERFORMANCE INDICATORS		Strategic Progress, Sustainability Report
SUSTAINABILITY INFORMATION		Sustainability Report

RISK REPORT

APPROACH TO RISK MANAGEMENT

Belmont Green continues to evolve its approach to risk management to ensure that risks which are inherent in the business activities and operations we undertake are managed in a balanced, robust and disciplined manner and fully mindful of our Consumer Duty responsibilities. This approach ensures that such risks are managed and mitigated effectively, reflective of the residual level of risk in order to secure an appropriate commercial return through the cycle.

STRATEGIC REPORT

Risk taking is an inherent part of our business but must be managed and controlled to ensure good outcomes for customers, alignment with our strategic objectives, and the long-term financial security and sustainability of the company. This is achieved through a well-established and embedded Enterprise Risk Management Framework (ERMF), which takes a top-down and bottom-up approach to risk identification and management within the Risk Governance structure using a Three Lines of Defence model.

The Board is ultimately responsible for establishing and ensuring maintenance of a sound system of risk management and internal controls and approving Belmont Green's overall risk appetite.

RISK STRATEGY

The Risk Strategy is an integral part of our overall strategy and sets out the strategic risk management objectives and priorities that support the achievement of Belmont Green's overall strategic goals. Our Risk Strategy is to understand all the risks that arise from our activities, setting appetite for risks essential to our business model and setting tolerances for risks that arise as a consequence of doing business, to ensure that these are managed within our stated risk appetite through the effective application of our ERMF.

Whilst the Risk Strategy is shaped by our strategic priorities, there is one that has particular relevance and resonance – "Operate within a bank standard risk and control framework" which is built upon the following pillars:

- Setting a Board approved risk appetite aligned to and commensurate with the strategy of the business, avoiding any unrewarded risk.
- Maintaining a Board and Executive Team with the skills and experienced required in PRA and FCA regulated environments.
- Embedding an enterprise-wide risk management and control framework that delivers bank standard risk management, oversight, and reporting.
- Ensuring fair customer outcomes is at the heart of everything we do and reflecting the requirements of the FCA's Consumer Duty.
- Designing resilience into the operating model ensuring data security, systems integrity and business continuity in our owned and outsourced business processes.

As we continue to transition towards becoming a bank, we will focus on the effective risk management of our principal risks as well as ensuring that any changes or extensions to our risk profile (e.g., Prudential & Conduct Risks associated with retail deposit taking) are identified, assessed and managed effectively.

RISK CULTURE

The risk culture derives from Belmont Green's vision, mission, strategic priorities and values and is defined as the normal attitudes and behaviours exhibited by colleagues at all levels, with regards to risk awareness, risk taking and risk management.

Belmont Green's risk culture is built upon the four following elements:

Tone from the top

the Board and Executive Management in their behaviour and attitude set the expectations and requirements of an effective risk culture and this is reinforced through the application of Board approved policies and frameworks. Colleagues are encouraged by the Board, Executive and Management to act with integrity, especially in the fair treatment of customers and to escalate observed and suspected non-compliance.

Accountability

our colleagues understand the core values of Belmont Green and how this impacts its approach to risk management. Where individuals have specific responsibilities with regard to risk, these are included in the role profiles and objectives, and colleagues understand that they will be held accountable for their actions and risk-taking and risk management behaviours. This is also supported by a no-blame culture which prevents discrimination and harassment.

Effective communication and challenge

a sound risk culture should promote an environment of open communication and effective challenge in which decision-making processes encourage a broad range of views, allow for testing of current practices, stimulate a constructive critical attitude among staff, and promote an environment of open and constructive engagement throughout Belmont Green. It is recognised that a culture in which colleagues are encouraged and empowered to express their curiosity is commensurate with a strong risk culture and control environment. This is also supported by an effective and well-embedded whistleblowing framework.

Incentives

Belmont Green's performance management arrangements promote the desired risk management behaviours and attitudes. The remuneration framework (including the remuneration policy and incentive scheme) is subject to review by the second line function and where appropriate external advisors, to further support and ensure that these are aligned to and support our risk culture and risk appetite. Remuneration policy is reviewed and approved by the Board on at least an annual basis.

The effective application and embedding of a strong risk culture is assessed on a regular basis in a range of different ways, including the annual Employee Survey, and annual Whistleblowing Report to the Board. On an annual basis as part of the annual review of the effectiveness of the ERMF, the CRO undertakes an assessment of whether Belmont Green's risk culture supports the achievement of its Strategy, Purpose and Values.

RISK MANAGEMENT FRAMEWORK

Belmont Green's approach to effective risk management was enhanced during 2023, with further investment in key areas such as credit risk, operational resilience, information security, technology, outsourcing and third-party management, financial crime, and model risk.

Notable activities and changes in relation to risk management during the year are summarised below:

- The Enterprise Risk Management Framework (ERMF) was reworked in 2023, to deliver a bank-ready framework, which was fully embedded as we move to becoming a bank. The bank-ready ERMF included enhanced definitions of the risk appetite for a number of principal risks.
- The Credit Risk Management Framework has been reviewed in line with our credit risk appetite and the underlying Key Risk Indicators (KRIs) relating to the mortgage portfolio, particularly with a view to the challenging economic environment for our customers (cost of living, rising interest rates etc.).
- We have delivered a comprehensive programme of enhancements as required to meet the FCA's Consumer Duty requirements.
- Our Operational Resilience Strategy and supporting framework has been further developed to enable our Important and Key Business services to be monitored and managed more effectively.
- Enhancements to the existing risk governance framework including the incorporation of an Operational Risk Committee to support even greater focus on operational risk and operational resilience.
- The information security framework has been further enhanced during 2023 through the successful implementation of a new Security Operations Centre (SOC) and a Security Incident and Event Management (SIEM) platform.
- The Compliance monitoring framework has been strengthened in 2023 and provides an enhanced approach to delivering effective monitoring across the business and for key outsourcing.
- Our existing stress testing and scenario analysis framework has been enhanced to support the additional analysis underpinning both the ICAAP and ILAAP submitted as part of our banking licence application.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

All of Belmont Green's business and support service activities, including those outsourced to third-party providers or originated via brokers and other intermediaries must be risk managed within the requirements of the ERMF. The ERMF sets out minimum requirements and the standards and processes that are expected to be applied to meet regulatory and in-house requirements and expectations. Risks are identified, measured, managed, monitored, and reported using the ERMF. The design and effectiveness of the ERMF is overseen and reviewed by the Board Risk Committee with the ERMF being subject to annual review and approval by the Board.

Responsibility for risk management sits at all levels within Belmont Green. The Board sets the 'tone from the top' and all colleagues are expected to adopt the role of risk manager in all aspects of their own roles.

The ERMF describes the activities, techniques and tools that are mandated to support the identification, measurement, control, management, monitoring, reporting and challenge of risk across Belmont Green. It is designed to provide an integrated, comprehensive, consistent, and scalable structure that is capable of being communicated to and clearly understood by all colleagues within Belmont Green.

The ERMF also incorporates the organisational arrangements for managing risk with specific responsibilities allocated to certain functions in accordance with a well-established Three Lines of Defence Model. This ensures that there is clear accountability, responsibility, and engagement at appropriate levels within Belmont Green, which can provide robust review and challenge, as well as be challenged.

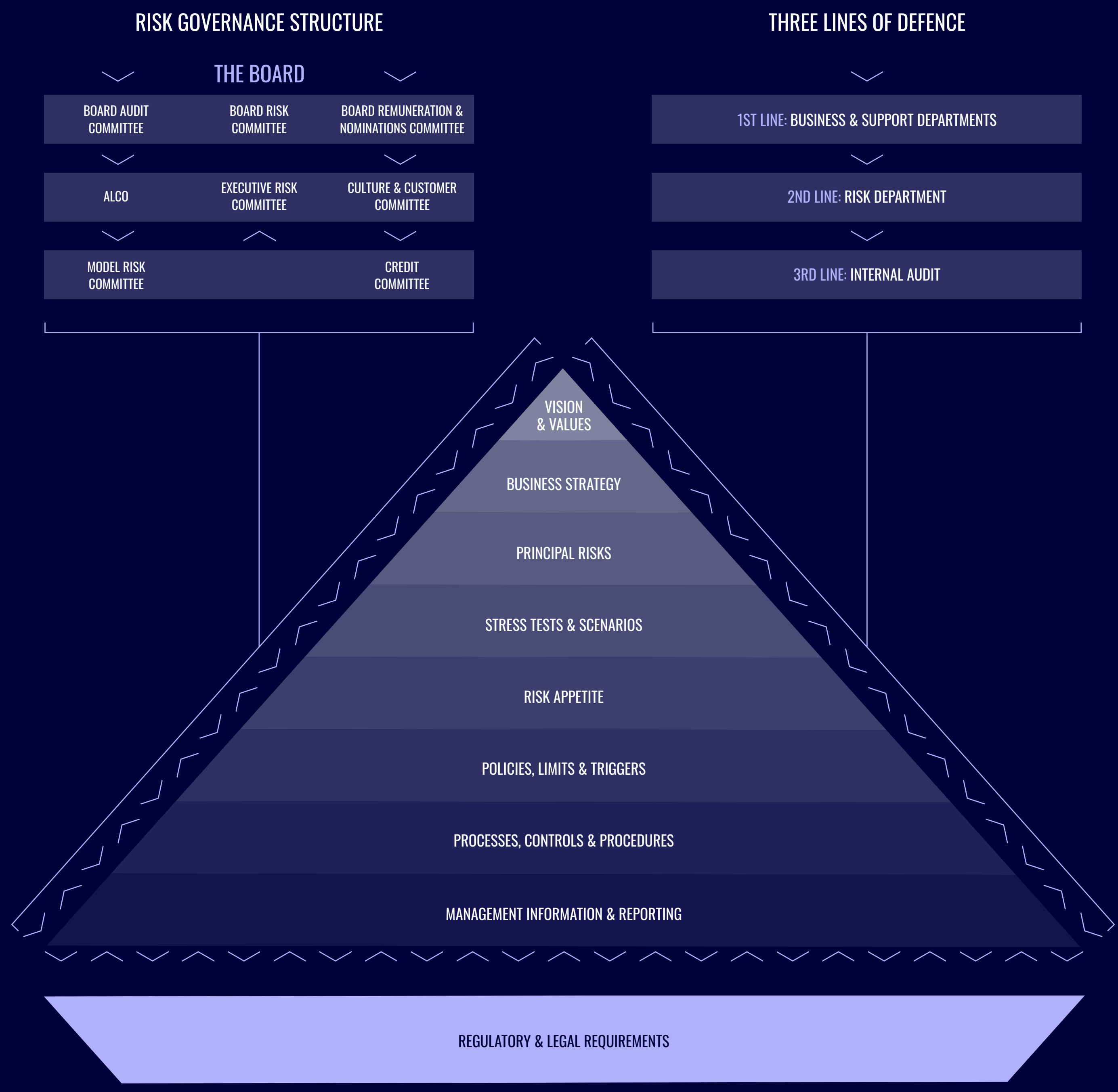
A key part of the ERMF is its alignment with our Values and appreciation by colleagues that they are all responsible for risk management. This is achieved through a programme of training for the Board and all colleagues, led by the HR Function, working closely with the Risk Function.

Belmont Green's ERMF can be visualised as a pyramid with the identification and management of risks done using both a 'top-down' and 'bottom-up' approach. It provides robust policies, controls, processes, procedures, and reporting for effective risk management, delivered through appropriate risk escalation and governance in a Three Lines of Defence model.

The Board is responsible for setting Belmont Green's Mission and Values. It reviews and approves the overall risk appetite on the advice of Board Risk Committee which also approves key risk policies. The Board approves the business strategy, consistent with our Mission, Values and Risk Appetite.

Operationally, the ERMF is organised around our principal risks and a well-established and embedded Three Lines of Defence Model (Refer to the relevant sections of the current report).

The ERMF, including the Risk Governance Structure and Three Lines of Defence is visually summarised in the diagram below.



All of Belmont Green's risk activities are subject to detailed and comprehensive governance arrangements that detail how risk-based authority is delegated from the Board to the Board Risk Committee and to the various risk management committees and individuals in accordance with the corporate governance and ERMF requirements. Risk governance and oversight is detailed further below.

RISK APPETITE

The level of risk that Belmont Green is willing to accept in the various elements of its business are defined in our Board Risk Appetite Statements, which articulate both qualitative and quantitative measures of risk that are cascaded across the business, calibrated by reference to our risk appetite and absolute capacity for risk absorption.

Belmont Green's risk appetite is not static and continues to evolve to support our overall business objectives, the operating environment and risk outlook. The risk appetite is reviewed periodically by the Board Risk Committee and agreed with the Board on an annual basis, or more frequently if required. A dashboard with the status of each risk metric (Key Risk Indicators and Early Warning Indicators) is monitored on a monthly basis against our risk appetite (Board Limits and Boundary risk Conditions) and reported to each Executive Risk Committee, and in accordance the requirements of the ERMF to the Board Risk Committee and the Board. The Board Risk Committee and Board exercise their judgement as to the appropriate action required in relation to any risk appetite breach dependent on the situation at the time.

The details of the risk appetite statements for each principal risk are provided below in the Principal Risks section.

STRATEGIC REPORT

PRINCIPAL RISKS

Belmont Green has identified, maintains and periodically reviews those categories of risk which it believes could significantly affect the successful achievement of its strategy and corporate objectives, with these risk categories determined to be principal risks. Key and emerging risks are identified through the lens of the principal risk categories.

These principal risks were identified and are maintained through consideration of both external guidance and internal assessments including: the Basel 3 risk classifications; best industry practice; and the areas, scale and nature of inherent risks to which Belmont Green is exposed to.

For each of these 10 principal risks we have a board-approved definition and a risk appetite that sets out our approach to accepting, mitigating, managing, or avoiding the risk. Certain risk types are an inherent part of our business model. Where this is the case, a key principle is that the risk must be adequately measured, monitored, and compensated in order for the business model to be sustainable. Where risks are not explicitly taken and adequately compensated, they are avoided, or where this is not practical, measured, monitored, and minimised. The size of inherent threat associated with principal risks tends to equate to higher levels of resource use, but also more mature control processes and lower levels of residual risk. Despite this, some segments of risk may increase in prominence with higher residual risks as a result of changes in the internal or external environment.

The range of risks faced by Belmont Green and our appetite for these risks is reviewed annually, or more frequently if required, by the Executive Risk Committee ('ERC') before being presented to Board Risk Committee (BRC) for review, challenge, and final approval by the Board in its annual review and approval of the ERMF. Our appetite for each of the identified principal risks is described qualitatively below and described quantitatively through a series of Key Risk Indicators ('KRIs') which are used to track risks at a granular level.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Business Risk	The risk that we do not achieve our strategic objectives or business plan, including financial forecasts.	The business has clear strategic targets and clear risk appetites to ensure that these targets are achieved in a risk controlled and sustainable manner.	Executive Committee are responsible for executing the business plan according to strategic objectives and within approved risk appetite. The extent, if any, to which this is not achieved is monitored using appropriate KRIs and reported to the Board for discussion.
Capital Risk	The risk that we have insufficient capital to cover stressed conditions, regulatory requirements or growth plans.	We have no appetite for breaching internal limits or regulatory capital requirements and no appetite for having insufficient capital to deliver our financial plans over the next 12 months.	We prepare financial forecasts and draw down equity as required. This ensures we always remain within appetite.
Conduct Risk	The risk of customer harm or poor outcomes through unsuitable products, poor service or process failures.	We have no appetite for offering products or services to our customers which are unsuited to their needs, or which may cause the customer harm. We have no appetite for systemic conduct risk and poor outcomes resulting from products or actions which impact on our customers or the integrity of the market. We seek to minimise these risks (as far as possible) and where instances of potential or actual harm are identified we will provide appropriate remediation. Whilst we recognise that minor operational or service issues may occur which could affect customers, these must not result in poor customer outcomes or harm for those customers.	We seek to minimise these risks as far as possible through process design and monitoring; where instances of potential or actual harm are identified we will provide appropriate remediation. Where conduct issues arise, these are mitigated and reported in accordance with the requirements of the ERMF, including where appropriate oversight by Executive Risk and Customer Committees, Board Risk Committee and ultimately the Board.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Funding Risk	The risk arising from not having access to stable funding markets and a range of funding sources.	We have no appetite for committed funding requirements which are not covered by committed funding capacity and we have no appetite r for funding requirements due to optional debt calls that are not covered by total funding capacity, without any reliance . on future planned equity injections within 30 days of stress conditions.	Executive Committee are responsible for executing the business plan according to strategic objectives and within approved risk appetite. The extent, if any, to which this is not achieved is monitored using appropriate KRIs and reported to the Board for discussion.
Liquidity Risk	The risk that we are not able to meet our obligations as they fall due or can only do so at excessive cost.	We have no appetite for not meeting our obligations as they fall due including under a severe but plausible stress lasting three months. It is accepted that we will be reliant on future planned equity injections after 30 days.	We prepare liquidity forecasts, plan our funding transactions, and draw down equity to ensure that we remain within appetite at all times.
Market Risk	The risk of a reduction in our earnings and / or value resulting from adverse movements in financial markets. This includes all risks incorporated into Interest Rate Risk in the Banking Book (IRRBB). IRRBB extends to Interest rate, basis, swap spread, inflation and product option risks.	The only market risk to which we are exposed is interest rate risk. We only have appetite for residual risk exposures after vanilla hedges with derivative counterparties rated BBB or higher by at least one of S&P, Moody's or Fitch.	Fixed rate mortgages are hedged through interest rate swaps, with the residual exposure quantified and managed within board limits and the supporting control environment.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Model Risk	The potential loss we may incur as a consequence of decisions that could be principally based on the output of models, as a result of errors in the development, implementation or use of such models. Model risk can have negative consequences, such as financial losses due to inaccurate product pricing, higher unexpected losses due to credit risk, or liquidity shortages resulting from inadequate modelling assumptions in liquidity models.	We have no appetite for using models that are not fit for purpose and/or have issues resulting from a periodic review validation carried out by Vida's second line model risk function that have not been addressed / are not being addressed by agreed management actions.	Vida has a Model Risk Management (MRM) framework that is proportionate to its size and business activities. Vida has a consistent, firm-wide model tiering approach that assigns a risk-based materiality and complexity rating to each of its models in the Model Register. Vida has an established definition of model that is in line with regulatory requirements and well-defined roles and responsibilities of the 3 Lines of Defence in relation to a model lifecycle. Models in the Model Register are subject to independent second-line model validations and the Model Risk Management Framework is periodically reviewed by third-line Internal Audit, in line with their risk-based planning methodology.
Wholesale Credit Risk	The risk of loss arising from default of a wholesale money market counterparty. (Wholesale Credit Risk includes the following non-principal risk category: Credit Concentration Risk).	We have very limited appetite for wholesale credit risk. Surplus funds must be invested in UK government securities or deposited with banks rated at least P-1/A-1 by at least one of S&P, Moody's, or Fitch.	Wholesale Credit Risk is managed through policies, controls, processes and procedures (including forecasting, reporting, escalation and prompt action).

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Operational Risk	The risk of loss resulting from inadequacy or a failure in internal processes, people and systems, or from external events. (Operational Risk includes the following non-principal risk categories: Business Processes; Change; Financial Crime; Financial Reporting and Control; Information Security; IT Systems; Legal; Operational Resilience; Outsourcing & Third Party; People; and Regulatory).	We have no appetite for systemic operational losses, no appetite for breaking any laws, and no appetite for losses from regulatory breaches or financial crime or for systemic or material regulatory breaches. Whilst we have very limited appetite (i.e., tolerance) for one-off and annual cumulative operational losses, we recognise that they are an inherent risk of operating our business, but must be minimised through policies, controls, processes, procedures (including reporting, escalation and prompt action) and insurance arrangements.	Operational Risk is minimised through policies, controls, processes and procedures (including reporting, escalation and prompt action) and their impact mitigated, where appropriate, through insurance arrangements.
Retail Credit Risk	The risk of loss arising from default on mortgage lending. (Retail Credit Risk includes the following non-principal risk categories: Climate Risk and Credit Concentration Risk)	We have appetite for credit risk arising from our mortgage lending, but the risk must be adequately compensated for taking this credit risk, i.e., on a risk adjusted basis and through the economic cycle. Therefore, we have developed a series of severe and plausible stress tests and scenarios to assess our through-the-cycle mortgage lending credit losses and resulting impact on our capital, liquidity and profitability. Our mortgage lending credit risk appetite is then set using the Board limits based on the results of these stress tests and scenarios.	Material risk factors are identified and quantified through product design and incorporated into our Price for Risk approach. Exposures are managed through risk limits and underwriting standards which are checked through first line Quality Control and second line Quality Assurance. Losses are managed through the Arrears Management process and reported to the relevant committee in accordance with the requirements of the ERMF.

RISK GOVERNANCE AND OVERSIGHT

Risk governance describes the structure through which the Board allocates and delegates primary accountability, responsibility, and authority for risk management across Belmont Green.

Responsibility for risk oversight is delegated from the Board to the Board Risk Committee and Board Audit Committee. The Board receives regular and detailed updates on the work of these committees. Ultimately responsibility for risk management and oversight rests with the Board.

Belmont Green's principal risks are detailed in the Principal Risks section. Responsibility for oversight of these principal risks is illustrated below.

<table>
<tr><th rowspan="3">OVERSIGHT / PRINCIPAL RISK</th><th colspan="4">BOARD</th></tr>
<tr><th colspan="3">BOARD RISK COMMITTEE</th><th>BOARD AUDIT COMMITTEE</th></tr>
<tr><th>FIRST LINE</th><th colspan="2">SECOND LINE</th><th>THIRD LINE</th></tr>
<tr><td>BUSINESS RISK</td><td>Executive Directors & Management Body</td><td>CRO & Risk Leadership Team</td><td rowspan="10">Executive Risk Committee</td><td rowspan="10">Internal Audit</td></tr>
<tr><td>CAPITAL RISK</td><td>CFO, Finance & Treasury / ALCo</td><td>CRO & Prudential Risk</td></tr>
<tr><td>CONDUCT RISK</td><td>All colleagues / Customer Committee / Culture Committee</td><td>CRO & Compliance</td></tr>
<tr><td>FUNDING RISK</td><td>CFO, Finance & Treasury / ALCo</td><td>CRO & Prudential Risk</td></tr>
<tr><td>LIQUIDITY RISK</td><td>CFO & Treasury / ALCo</td><td>CRO & Prudential Risk</td></tr>
<tr><td>MARKET RISK</td><td>CFO & Treasury / ALCo</td><td>CRO & Prudential Risk</td></tr>
<tr><td>MODEL RISK</td><td>First Line Accountable Executive Model owner / Model Risk Committee</td><td>CRO & Model Risk</td></tr>
<tr><td>OPERATIONAL RISK</td><td>All colleagues / Operational Risk Committee</td><td>CRO & Operational Risk</td></tr>
<tr><td>RETAIL CREDIT RISK</td><td>Lending & Underwriting / Credit Committee</td><td>CRO & Credit Risk</td></tr>
<tr><td>WHOLESALE CREDIT RISK</td><td>CFO & ALCo</td><td>CRO & Prudential Risk</td></tr>
</table>

The committees, functions and individuals listed in the above table are accountable and responsible for ensuring that the day-to-day risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the ERMF.

Individuals are encouraged and expected to adopt an open and independent culture of challenge, which is important in ensuring risk issues are surfaced and debated, with views and decisions recorded. Risk governance and culture is reinforced through the provisions of the Senior Managers and Certification Regime.

Formal risk escalation and reporting requirements are set out in the ERMF, risk policies, individual committee terms of reference and the approved risk appetite thresholds and limits.

"A key part of the Risk Management Framework is its alignment with the Vida Values and appreciation by all colleagues that they are all responsible for risk management and ensuring good customer outcomes."

THREE LINES OF DEFENCE

Belmont Green has implemented the Three Lines of Defence model to ensure clear separation of risk management responsibilities between operational management which owns, manages and controls risks in Belmont Green (the "First Line"); oversight, testing and challenge of those operations and controls, together with Compliance oversight (the "Second Line"); and independent assurance of the first two lines (the "Third Line") by Internal Audit. This provides consistent, coherent, and complete coverage of all the risks to which Belmont Green is, or potentially could be, exposed. All three lines of defence are tasked with supporting and developing a culture of risk awareness throughout Belmont Green to create the desired outcomes for the business and its customers.

FIRST LINE OF DEFENCE – BUSINESS AND SUPPORT FUNCTIONS

The First Line of Defence comprises Belmont Green's business and support units (and their individual staff) who are responsible for day-to-day identification, mitigation, management, and monitoring of all risks arising within their functions. In addition, the First Line of Defence is responsible for developing and communicating appropriate processes, controls, and procedures for managing risks in accordance with the ERMF and Belmont Green's approved risk appetite.

Risk and Control Self-Assessments (RCSAs), Internal Risk Events (whether a loss was incurred or not) and Near Misses are included in management information reporting and escalated, according to materiality, through the Risk Governance Structure. The First Line of Defence works, with oversight and challenge from the Risk Function, to implement actions to investigate control weaknesses identified through the RCSA and business as usual activity, Internal Risk Events and Near Misses, and implement remedial activity to stop them happening again. They also work together to identify, assess and mitigate risks on proposed new products, with approval being obtained through the Risk Governance Structure.

SECOND LINE OF DEFENCE – RISK FUNCTION

Belmont Green's Second Line of Defence is provided by the Risk and Compliance Function whose primary responsibilities are as follows:

- Monitoring the effectiveness of the ERMF, Risk Governance Structure and Three Lines of Defence model, reporting findings/recommendations to the Executive Risk Committee and the Board Risk Committee, as required;
- Monitoring Belmont Green's exposures against approved risk appetite and boundary limits via the KRIs for each Principal Risk Type and reporting these to Executive Risk Committee, Board Risk Committee and the Board;
- Delivering the annual Risk and Compliance Plan of second line activities that delivers effective oversight and challenge of first line risk management activities on a risk basis;
- Working with, and providing oversight and challenge to, the First Line of Defence to identify, assess, manage and control all of Belmont Green's risks;
- Providing risk management and compliance advice and support to all departments within Belmont Green, particularly to the owners of policies, processes, controls and procedures (including in relation to the product development and approvals process);
- Working with the HR Department regarding risk management training for the Board and all employees;
- Ensuring awareness of existing and new regulations; and
- Assessment and thematic reviews of the First Line of Defence's performance and effectiveness at managing risks.

The Risk Function is headed by the Chief Risk Officer (CRO), who is a member of the Board, attends Board Risk Committee and Board Audit Committee, chairs the Executive Risk Committee, Credit Committee and Model Risk Committee, and is a member of ALCo (Asset & Liability Committee), the Operational Risk Committee, the Customer Committee and the Culture Committee. The CRO is approved by the FCA as an SMF3 (Senior management function under the FCA Senior Managers and Certification Regime) Executive Director and is responsible for monitoring, overseeing and challenging risk management performance on an operational level. The Director of Compliance, who reports to the CRO, is approved as the SMF16 – Compliance Oversight and SMF17 – Money Laundering Reporting Officer.

THIRD LINE OF DEFENCE – INTERNAL AUDIT

Belmont Green's Third Line of Defence is its Internal Audit Function, which has a co-source arrangement with PwC. Internal Audit provides the Board with independent assurance regarding the suitability, operation, and effectiveness of our ERMF, Risk Governance Structure and First and Second Lines of the Three Lines of Defence model. Internal Audit attend Board Audit Committee meetings and Board Risk Committee meetings and report directly to the Audit Committee's Chair. Internal Audit's annual audit plan is approved by the Board Audit Committee and completed audit work is reported to the Board Audit Committee and resolution of identified issues and actions tracked.

KEY AND EMERGING RISKS

Belmont Green's key and emerging risks, viewed through the lens of the principal risk categories are identified and are reviewed regularly by the Executive Risk Committee, the Board Risk Committee, and the Board.

Key risks are those existing and identified risks that could cause the delivery of Belmont Green's strategy, results of operations, financial condition and / or prospects to differ materially from expectations. They could also result in adverse customer outcomes, adverse market impacts, reputational damage and regulatory breaches / sanctions.

Emerging risks are those risks that are new, or may have unknown components, the impact of which could crystallise over a longer period.

Belmont Green sees ten themes as its key and emerging risks:

GEOPOLITICAL RISK	ECONOMIC AND COMPETITIVE ENVIRONMENT	CREDIT IMPAIRMENT	MATERIAL DELAY IN SECURING BANKING LICENCE	SCALE AND PACE OF BUSINESS CHANGE
INFORMATION AND CYBER SECURITY RISK	SCALE AND PACE OF REGULATORY INITIATIVES AND CHANGE	EMBEDDING OF CONSUMER DUTY REQUIREMENTS	FINANCIAL CRIME	CLIMATE RISK

A review of each of these themes is provided on the following pages.

GEOPOLITICAL RISK (WITHIN BUSINESS, CREDIT AND CONDUCT RISK)

OVERVIEW

Geopolitical risk, such as the Ukraine war and the conflict in Israel and Palestine / or the continuing UK political uncertainty, with a general election expected in 2024, can present a risk to the business, its financials and earnings volatility, as well as its customers.

How could this impact our strategy, business model and customers?

- Significant adverse movements in geopolitical risk could lead to material increases in inflation and interest rates, along with increasing impairments on our mortgage portfolio and / or driving down demand, business volumes and growth.
- Continued cost of living challenges experienced by customers leading to potential affordability / resilience / vulnerability issues.
- Such adverse movements could also have a material impact on our funding and our critical suppliers and the services that they provide.

How we manage this risk?

- We commission an independent external expert analysis.
- We undertake a comprehensive assessment of our risk appetite and stress test our business model (including our mortgage portfolio) to ensure that we can meet our objectives in severe but plausible economic conditions.
- We regularly engage with our critical suppliers to foresee and mitigate any impact on services provided to us, relating to adverse movements in geopolitical risk.
- We have continued to maintain a proactive approach to identifying and supporting vulnerable customers.
- We are pursuing a diversified funding structure including planned access to retail deposits as part of securing a banking licence.

Focus areas for 2024

- We will continue to monitor areas of conflict around the world, the global economic situation and the UK economic / political situation and the impact that has on interest rates following the steep rises in 2023, rising energy prices, cost of living, inflation, borrowers' affordability and house prices.
- Accordingly, we will continue to update our affordability policy and underwriting criteria to ensure it remains appropriate and continue to manage and support vulnerable customers in this challenging environment.
- We will continue to update our mitigating actions as and when appropriate, including the use of updated stress tests to reflect material changes in external and internal conditions.
- We will continue to oversee our outsourcers and third parties to ensure that they remain operationally resilient in the event of geopolitical uncertainty.
- We will continue to move towards successfully securing a banking licence.

ECONOMIC AND COMPETITIVE ENVIRONMENT (WITHIN BUSINESS, CREDIT AND CONDUCT RISK)

OVERVIEW

Significant adverse macroeconomic conditions (either pro-longed or short-term) can present a risk to the business, its financials and earnings volatility, as well as its customers.

The trading environment during 2023 remained very challenging with continued increases in interest rates, inflation and overall cost of living.

How could this impact our strategy or business model?

- We have seen the impacts of the economic downturn, which has led to material increases in inflation and interest rates, along with increasing arrears and impairments on our mortgage portfolio.
- Continued cost of living challenges experienced by customers leading to potential affordability / resilience / vulnerability issues.
- Rising competition may compress business margins and impact on target returns, as well as driving down demand, business volumes and growth.

How we manage this risk?

- We undertake a comprehensive assessment of our risk appetite under baseline and stress economic scenarios to ensure that we can meet our objectives in severe but plausible conditions.
- Our risk appetite is calibrated to help achieve the business strategy and is modified as required to reflect the uncertainty in economic and competitive landscape.
- We have continued to maintain a proactive approach to identify and support vulnerable customers.
- We carefully consider our risk appetite in its selected markets and prioritise the needs of existing customers over new origination.

Focus areas for 2024

- Targeted and controlled expansion of our risk appetite in our selected markets to align with the economic outlook as it emerges.

CREDIT IMPAIRMENT (WITHIN CREDIT AND CONDUCT RISK)

OVERVIEW

As at 31 December 2023, Belmont Green's mortgage portfolio was £1.70bn and is exposed to credit impairment if customers are unable to repay loans and any outstanding interest and fees.

The shape of the prevailing economic conditions (stabilising but heightened interest rates, future falls in house prices, continued cost of living challenges) will play a key role in driving arrears rates and the impairment profile in the foreseeable future.

How could this impact our strategy or business model?

- Increases in arrears and credit impairment could lead to a material reduction in profitability and retained earnings and our ability to meet our objectives.
- Continued cost of living challenges experienced by customers leading to potential affordability / resilience / vulnerability issues.

How we manage this risk?

- We undertake a comprehensive assessment of our risk appetite under baseline and stress economic scenarios to ensure that we can meet our objectives in severe but plausible conditions.
- Our credit risk appetite is modified as required to reflect the uncertainty in economic conditions.
- We have undertaken a comprehensive review of the suite of existing credit risk KRIs resulting in an enhanced articulation and definition of our credit risk appetite.
- We have continued to apply robust underwriting, affordability and lending criteria and where appropriate have enhanced these, contributing to continued low numbers of possessions and credit losses.
- We have continued to maintain a proactive approach to identify and support vulnerable customers.
- The impact on IFRS 9 models and Post-model Adjustments (PMAs) are regularly monitored and reported to internal committees and approved by the Board Audit Committee.

Focus areas for 2024

- Continue to enhance our stress testing capability.
- Continued regular review of the evidence supporting all key areas of judgement used in support of the model-based Expected Credit Losses (ECLs).
- Develop further strategic credit risk management information to ensure timely and accurate reflection of risk in our lending segments, thereby enhancing our ability to make proactive decisions.

MATERIAL DELAY IN SECURING BANKING LICENCE (WITHIN BUSINESS, FUNDING AND LIQUIDITY RISK)

OVERVIEW

Securing a banking licence is one of our key strategic objectives in the short-term and is therefore a key enabler to the achievement of key elements of our strategic plan.

Following the strong progress made throughout 2023 in all workstreams of the banking licence project, Belmont Green submitted an application to the regulators for a banking licence in January 2024.

Our assumption is that following regulatory approval, we will launch as a bank in Q4 2024. However, we have built sufficient contingencies into our plan to accommodate a material delay into 2025.

How could this impact our strategy, business model and customers?

- A material delay in securing a banking licence would result in a delay in achievement of a number of our strategic objectives (including planned levels of growth in the business) within the original timescales set out within our strategic plan.

How we manage this risk?

- Delivery of all key banking licence project milestones in line with plan, including Board attestation, retail savings build and regulatory reporting systems build.
- Regular and effective communication and engagement with both regulators during the authorisation process.
- Contingencies already built into our capital, funding, liquidity and lending plans with ability to further flex these (i.e., reduce planned growth) in the event of a material delay.

Focus areas for 2024

- Delivery of all remaining key banking licence project milestones in line with project plan.
- Continued regular and effective communication and engagement with both regulators during the authorisation process.
- Review of contingencies within existing capital, funding, liquidity and lending plans to ensure these remain appropriate.

STRATEGIC REPORT

SCALE AND PACE OF BUSINESS CHANGE (WITHIN BUSINESS AND OPERATIONAL AND CONDUCT RISK)

OVERVIEW

The scale and pace of change could create delivery challenges and could lead to disruption of Belmont Green's plans and impact the delivery of our objectives.

Belmont Green needs to deliver a number of key changes to its internal processes and processes to operate as a bank.

In addition, the groundwork set during 2023 around the Consumer Duty expectations will be further developed and enhanced throughout 2024.

How could this impact our strategy, business model and customers?

- Failing to deliver changes to products, services and systems could result in our inability to meet customer expectations and our other strategic objectives.

How we manage this risk?

- We have organised our strategic priorities into a clear roadmap through which we prioritise and manage the required resources, both from a project and business unit perspective. Delivery of the roadmap is critical to the achievement of our objectives.

Focus areas for 2024

- Our key change priorities include progressing with our banking licence application and preparations, and embedding the requirements of the Consumer Duty requirements. All of this with careful consideration to ensuring the delivery of good outcomes for our customers.
- Continuing to work with our key outsourcing partners with regard to their change programme, ensuring these are aligned with ours and deliver positive outcomes for our customers.

INFORMATION AND CYBER SECURITY RISK (WITHIN OPERATIONAL RISK)

OVERVIEW

The cyber threat remains significant and high profile across all industries.

Cyber security and information risk continues to be a focus area for regulators and is increasingly assessed as an integral part of operational resilience.

This is coupled with an increase in public awareness and regulatory focus specifically on cyber resilience in the face of increasingly targeted, destructive ransomware attacks experienced in the market.

How could this impact our strategy, business model and customers?

- The evolving nature and scale of criminal activity could increase the likelihood and severity of attacks on our business and supporting systems, resulting in loss of confidence, reputational damage, data loss/theft and financial loss. Once we become a bank, we are cognisant of the increased inherent risk of information and cyber security risk and have therefore enhanced our capability in these areas.

How we manage this risk?

- We continually review our information security control environment to reflect the evolving nature of the threats to which we are exposed.
- Our strategy for managing information security risk is comprehensive, including a documented information security strategy, on-going threat assessments, penetration testing, deployment of preventative and detective controls and a programme of cyber awareness education and training.
- We have implemented policies and procedures in order to ensure colleagues are aware of potential threats and the importance of Cyber and Information Security.
- We have an outsourced independent Chief Information Security Officer who reports into the Chief Risk Officer, providing second line assurance on security services.
- An annual training programme for data privacy and protection and Cyber and Information Security awareness is provided to all colleagues.
- We have an established incident management plan and procedures including disaster recovery and business continuity. Incidents relating to breaches of the IT infrastructure are reported and discussed at ERC and reported to BRC and the Board in accordance with the requirements of the ERMF.
- We have continued to enhance our technology and operational resilience layer, including the controls applied to our critical service providers.
- InfoSec due diligence is carried out on all suppliers aligned to recognised industry best practice and standards.

Focus areas for 2024

- We will continue to invest in our information security risk management framework alongside delivering further enhancements in our operational resilience capability.
- We will continue to oversee our outsourcers and third parties to ensure that they remain operationally resilient.
- We will fully embed our Data Loss Prevention (DLP) strategy, focussing on continued evolution of the underlying control framework.

SCALE AND PACE OF REGULATORY INITIATIVES AND CHANGE (WITHIN CREDIT, OPERATIONAL, AND CONDUCT RISK)

OVERVIEW

The prudential and conduct regulatory regimes continue to be subject to change and could lead to either increases in the required level and quality of financial resources or change in policies and processes to meet additional regulatory requirements.

In our transition to becoming a bank, Belmont Green will implement a suite of new prudential regulatory requirements.

In relation to non-financial risks, implementation / embedding of operational resilience and third party and outsourcing regulations will continue, along with further implementation of high priority regulatory initiatives as published in the Regulatory Initiatives Grid.

How could this impact our strategy, business model and customers?

- A material change in existing regulatory requirements and the addition of unexpected future regulatory change could lead to either increases in the level and quality of required financial resources or material updates in policies and processes. This could lead to both additional capital / cost / investment and adversely impact our ability to execute existing objectives.

How we manage this risk?

- We actively review regulatory publications to assess their implications for the business and oversee the impact analysis and subsequent delivery through relevant committees and forums.
- We actively engage with regulators, industry bodies (e.g., UK Finance) and advisors in relevant consultation processes.
- We actively manage and monitor compliance with regulatory requirements through our established and embedded risk governance framework.

Focus areas for 2024

- We will continue to maintain a robust approach to both identifying new / proposed regulatory changes (i.e., regulatory horizon scanning) and providing effective oversight over the delivery of such changes.
- We will continue to move towards successfully securing a banking licence which will include ensuring all related processes, systems and practices align to the prudential regulatory requirements.
- We will continue to oversee our outsourcers and third parties to ensure that our overarching framework remains within regulatory requirements.
- We will continue to enhance our approach to operational resilience to ensure that this remains within regulatory expectations.

EMBEDDING OF CONSUMER DUTY REQUIREMENTS (WITHIN CONDUCT AND OPERATIONAL RISK)

OVERVIEW

The FCA Consumer Duty sets higher expectations for the standard of support provided to customers, and challenges firms to evidence the customer outcomes they are delivering. Implementation of the new rules is staged (with the requirement for existing products to be compliant by July 2023, and closed products by July 2024).

This has been a priority area for Belmont Green during the year with activity being championed by the Board, and a Non-Executive Director assigned responsibility for supporting the Chair and CEO in challenging the Board on how the firm is embedding the programme. The areas targeted for implementation during 2023 were delivered as planned, with the focus now on implementation for the closed products by July 2024 along with continuing to embed the Consumer Duty requirements within our business lines ensuring that good customer outcomes and deep understanding of these remain at the forefront of all our customer interactions.

How could this impact our strategy, business model and customers?

- Delivery of Consumer Duty requirements and therefore good customer outcomes is fundamental to how we operate and what we do as a business.
- Ineffective implementation and embedding of the Consumer Duty requirements could result in poor customer outcomes, failure to meet our strategic objectives, loss of consumer and market confidence in Vida and regulatory sanction / fine.

How we manage this risk?

- Development and execution of a robust implementation and embedding plan sponsored by our CEO. This plan focuses on effective delivery of the four key outcomes: Products and Services; Price and Value; Consumer Understanding; and Consumer Support.
- The Board has appointed the Senior Independent Non-Executive Director as the Consumer Duty Board Champion, who along with the Chair and other Board members has played a key role throughout 2023 in overseeing, challenging and monitoring Belmont Green's approach to the implementation of the Consumer Duty regulations ahead of the FCA 31 July 2023 deadline, as well as ensuring the Board has continued oversight of the embedding of the Consumer Duty throughout the organisation. The Consumer Duty Champion received regular updates on the progress of the Implementation Plan outside of formal governance, gaining insight into regulatory expectations through industry publications and FCA seminars.
- We have undertaken important steps in embedding Consumer Duty requirements across the business in order to continue to deliver good outcomes for our customers and our colleagues continue to work hard to provide the high levels of service that our customers and intermediary partners expect and ensure that support is offered to all customers, including those who may be vulnerable or in financial difficulty, throughout their journey with Vida. By appointing our Senior Independent Non-Executive Director, who is also the Chair of our Board Risk Committee, as our Consumer Duty Champion has helped us ensure that regular discussions and challenge take place at Board level, the principles of the Consumer Duty are truly embedded into the organisation and are driving good outcomes for customers.

Focus areas for 2024

- Continued embedding of the Consumer Duty requirements, we are very much aware that this is not a 'one-off' activity, and further work should be expected as financial services embed the requirements.
- Continued effective oversight by the Board including our Consumer Duty Champion.
- Continued second and third line oversight, challenge and assurance activities to assess the level of embedding of the Consumer Duty requirements.
- Continued strong and proactive engagement with regulator and trade bodies in relation to the development of good practice across the sector

FINANCIAL CRIME (WITHIN OPERATIONAL RISK)

OVERVIEW

Financial crime is any kind of criminal conduct relating to money or to financial services or markets. This includes any offence involving:

- Fraud or dishonesty;
- Misconduct in, or misuse of information relating to, a financial market;
- Handling the proceeds of crime; or the financing of terrorism.

Although the risk has always been present in financial services, the increased use of digital channels and our planned move to becoming a bank has elevated the risk profile. With the development of technology, the type and impact of financial crime activities is likely to increase over the coming years.

How could this impact our strategy or business model?

- An inadequate control environment for financial crime could lead to increased operational losses, credit impairment and potentially regulatory enforcement, penalties and / or censure.
- The reputational damage associated with financial crime could cause loss of business (both customers and intermediaries), impacting our revenues and financial position, as well as our regulatory standing.
- Once we become a bank, we are cognisant of the increased inherent risk of financial crime risk and have therefore enhanced our capability in this area.

How we manage this risk?

- We continue to enhance our control environment with respect to financial crime, including recruiting additional skilled and experienced resources into the second line.
- The control environment and associated risks are monitored via our well-established and embedded risk governance framework.
- We conduct a firm-wide financial crime risk assessment, at least annually, to assess compliance with relevant policies. This focuses on: money laundering and terrorist financing risk, anti-bribery and corruption risk, sanctions risk, tax evasion risk and fraud risk.
- An annual programme of financial crime awareness education and training is provided to all colleagues.
- We have a dedicated Money Laundering Reporting Officer (MLRO) who reports into the CRO with an annual MLRO report provided to the Board.
- Whistleblowing arrangements are in place so colleagues can report any activity which they consider to be inappropriate without fear of retaliation or detrimental action.
- We restrict the giving and receiving of gifts and hospitality, and they must be declared to management whether accepted or declined.

Focus areas for 2024

- We will continue to invest in resources and risk identification, prevention, and control mechanisms to protect our customers and business from the facilitation of financial crime. This will be delivered in conjunction with the enhancement of existing policies, procedures, systems, and practices as part of our banking licence application.

CLIMATE RISK (WITHIN CREDIT RISK)

OVERVIEW

Climate change and society's response to it, presents financial risks which impact Belmont Green's objectives. The risks arise through two primary channels: the physical effects of climate change and the impact of changes associated with the transition to a lower carbon economy.

How could this impact our strategy, business model and customers?

- Physical risks, such as flooding or subsidence could lead to damage to mortgaged properties, which could become temporarily or permanently uninhabitable, affecting rental income, and/or leading to a permanent drop in value. This could lead to increased defaults and/or losses on mortgage loans.
- Transition risks, such as stringent requirements for energy efficiency on rented or owner-occupied properties, could impose a significant financial cost on borrowers for retrofitting, or leave them unable to rent or sell their property or permanently reducing the value of their property. This could lead to increased defaults and/or losses on mortgage loans.
- Reputational risks could arise if we are seen to be taking inadequate steps to understand, monitor and mitigate our own impact on the climate. This can arise through our RMBS and warehouse investors, our equity investors, our intermediary partners or our customers. The impact could be reduced investment demand, increased cost of investment or reduced business.

How we manage this risk?

- Belmont Green has embedded the management of climate risk as a subset of one of its principal risks, credit risk.
- Belmont Green considers the embedding of climate related matters and the wider ESG measures to be key initiatives. It is a key part of our broader ESG Strategy.
- At present the most material impact is judged to be from EPC requirements on BTL properties. We have tightened our lending policy to ensure we only consider lending when properties meet, amongst other criteria, the minimum energy efficiency regulations by law.
- We actively monitor our portfolio, via the measurement of new completion volumes across each EPC rating. For each EPC grade, we further consider the available levers and controls at our disposal, to appropriately manage the inherent risk on the back-book. Exposure levels are also benchmarked against the market – this ensures that we minimise the risk of over-exposure. Developments in regulation are also closely monitored, so that we proactively anticipate future changes and understand their impact on our customers.
- We continue to analyse the potential impact of physical risks on our portfolio and report this in our annual climate risk report to Board Risk Committee.
- We report on our carbon emissions annually, including a voluntary disclosure of scope 3 emissions.

Focus areas for 2024

- We will continue to monitor developments in EPC requirements, both for rented and owner-occupied properties and will respond with any required changes in lending policy or product design.
- We are enhancing our analysis of potential physical risks to better understand where and when this exposure could materialise.
- We will continue to expand our climate disclosures taking into consideration TCFD and the forthcoming ISSB Sustainability Standards. We are committed to improving the scope and accuracy of the data we publish annually, driving a better understanding of our emissions and informing the actions we are taking to reduce and mitigate their effects.

This Strategic Report has been drafted and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiaries.

Approved by the Board of Directors and authorised for signature on behalf of the Board by

Anthony Mooney
Director
18 June 2024

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

Board is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the FRC in July 2018 (the 'Code'), and the Wates Corporate Governance Principles for Large Private Companies and we voluntarily comply with these in relevant areas

OUR BOARD

STEVE HAGGERTY – CHAIRMAN

Appointed in March 2016

Steve is a Non-Executive Director and Chair of the Board of Directors. He qualified as being Independent when he was appointed as Chair. He has been continuously involved in the UK mortgage market for more than 50 years, starting with the Bristol & West Building Society in 1973. In 1990 he joined Homeloan Management Limited (HML) and as CEO and later Chair, was responsible for creating the largest mortgage servicer in Europe. Following spells as Managing Director of Skipton Building Society and Commercial Director of Northern Rock Asset Management (NRAM) on behalf of UKFI, Steve set up his own consultancy business, Hawkesbury Mortgage Services – specialising in mortgage portfolio trading and servicing.

He has been an INED since 2010 during which time he has held numerous positions including Vice Chair of Melton Mowbray Building Society and Chair of Target Loan Servicing Ltd, Chair of Rockstead Ltd and Board member of Legal & General Home Finance Ltd.

CAROL SERGEANT CBE – SENIOR INED

Appointed in September 2019

Carol is the Senior Independent Non-Executive Director and Chair of BRC. She has been Head of Major Banks Supervision at the Bank of England, Managing Director on the Board of the UK Financial Services Authority, Chief Risk Officer of Lloyds Banking Group, Trustee of the Lloyds Register Foundation and Chair of the Global Women's Leadership Programme at Bayes Business School (formerly Cass). She is currently Chair of the Board Risk Committee of Danske Bank A/S (Copenhagen)* and was previously a Non-Executive Director of Secure Trust Bank PLC.

Carol has led and participated in projects and reviews for UK Government and the EU Commission on financial services and regulation, including the HM Treasury review of Simple Financial Products, and has been on the Boards of a number of universities.

*Carol Sergeant has informed Belmont Green that she will step down from her role at Danske Bank A/S, effective 22 March 2024.

ROBIN CHURCHOUSE – INED

Appointed in April 2019

Robin is an Independent Non-Executive Director and Chair of the Board Audit Committee. After gaining a law degree from Cambridge University, Robin qualified as a chartered accountant with Price Waterhouse in London since when he has gathered over 30 years of experience in financial services in the UK working as a regulator, management consultant, corporate finance advisor, and in a range of executive roles including finance, treasury, audit, risk and operations. He has extensive experience of financial services accounting, financial control and audit requirements, and of ICAAPs and ILAAPs including underlying modelling and over-arching stress testing elements.

His most recent executive role was with the Yorkshire Building Society where he was Chief Financial Officer. Over 13 years, he held roles that involved leading the Group's finance, treasury, audit, strategy and planning, legal and risk functions as well as a number of operational areas including underwriting. He obtained extensive exposure to all areas of Executive and Board committees and governance including main Board and Board Audit and Risk committees. He was heavily involved in seeing the Society (and those that merged with it) through the global financial crisis including extensive interaction with the regulatory team.

Robin was formerly an Independent Non-Executive Director at Lookers plc and Lookers Motor Limited (a motor dealership and service group) and is currently Chair (designate) of Ethos Bank, a proposed start-up ethical and Sharia compliant UK bank.

PETER WILLIAMS – INED

Appointed in May 2016

Peter is an Independent Non-Executive Director and Chair of the Board Remuneration and Nominations Committee. He has worked in and on the UK's housing and mortgage market issues for over forty years both as a senior executive in mortgage trade bodies (Building Societies Association, Council for Mortgage Lenders and the Intermediary Mortgage Lenders Association) and as an academic and policy adviser to governments. He is currently attached to the Department of Land Economy at the University of Cambridge working on a variety of housing and mortgage issues including most recently research into mortgage prisoners, affordable housing policy across the UK and housing market downturns. As part of the Acadata research team he contributes to a monthly England and Wales house price report for e.surv.

He is Chair of First Affordable, a 'for profit' housing association, a Trustee of the Housing Studies Charitable Trust and co-editor and contributor to the annual UK Housing Review. He was previously Deputy Director General of the Council of Mortgage Lenders, Executive Director of the Intermediary Mortgage Lenders Association, Professor of Housing at Cardiff University and Director of the Cambridge Centre for Housing and Planning Research.

CONTINUED...

DANA LAFORGE – NED

Appointed in September 2020

Dana is a Non-Executive Director representing the interests of the shareholder, Pine Brook. He joined Pine Brook in June 2020 as a partner and member on the Pine Brook investment committee. He represents Pine Brook as a board director of Belmont Green, Amedeo Holding Company Limited, Clear Blue Financial Holdings, Syndicate Holding Corp and Fidelis Insurance Holdings Limited.

He has more than 20 years of private equity investment and management experience. He was the Chief of Staff of the Capital Markets and Investment Banking Group and a managing director and head of the North American financial institutions' investment banking groups at Bankers Trust, BT Alex. Brown, and Deutsche Bank. Thereafter, he served as a partner of several entrepreneurial investment businesses and private equity funds focused on financial services where he was a member of the investment committee, invested capital and worked closely with portfolio companies. These included Brera Capital Partners and Colonnade Financial Group, a spin out from Deutsche Bank created to manage a private equity portfolio.

He is active in cancer research as a Director of the Multiple Myeloma Investment Fund. He received an MBA from Harvard Business School, and a B.S. from Washington & Lee University.

ALAN NEWTON – INED

Alan resigned from the Board with effect from 28 February 2023

ANTH MOONEY

Anth joined Belmont Green as Chief Executive Officer in January 2020. He is a financial services expert who has deep experience in the mortgage and savings market. He has more than 25 years' experience in financial services, the last 15 at an executive level in Retail Banking, Marketing, Strategy, Financial Services and Retail Operations, including as Director of Financial Services at Virgin Money, Retail Banking Director at Northern Rock, Managing Director of Thomas Cook Money, and CEO of Caversham Finance.

JOHN ROWAN

JJohn joined Belmont Green as Chief Financial Officer in October 2020. He is a chartered accountant and a fellow of the Association of Corporate Treasurers. John has extensive knowledge in financial services garnered over 30 years. Over this period, he has held positions in corporate banking, risk, finance and treasury. His recent experience with Virgin Money and Provident Financial Group has provided John insight into the complex credit segment of retail financial services.

FRASER MCNEILL

Fraser joined Belmont Green as Chief Risk Officer in April 2022. He was previously CRO for Coventry Building Society and Saffron Building Society. Fraser is a senior risk management specialist with more than 20 years of experience working in senior risk management positions within the financial services sector. He has held senior management positions in risk, assurance and finance for a number of banks, insurers and building societies including the Yorkshire / Clydesdale Bank, MetLife, the Skipton Group (including the Skipton Building Society), the Co-Operative Bank and Coventry Building Society.

SENIOR LEADERSHIP TEAM

The senior leadership team includes the Executive Directors shown above and four further leaders across the business:

TOMMY WIGHT

Chief Operating Officer

Tommy is a strategic change expert and technology leader with 20 years' experience in financial services. He has a proven track record in delivering business value and growth through combining progressive technology with smart operating model design and creating a dynamic change environment.

He joined Belmont Green in 2017 from Shawbrook Bank, where he was Director of Change and played a leading role in building the business ahead of a successful IPO in 2015. Prior to this he held various senior programme delivery roles at Deutsche Bank, NBNK Investments and RBS.

DEB SMITH

Chief of Mortgage Operations

Deb has led large scale multi-functional operations for a number of national organisations. With over 30 years' experience in financial services, she has a track record of delivering quality customer service.

She joined Belmont Green in 2018 from The Mortgage Works, the specialist lending area of Nationwide Building Society, where she led a high-volume operation, which included underwriting, contact centres and servicing teams. Prior to that, she led a multi-sited function, covering all back-office disciplines, for The Co-op Bank.

AMANDA ROBINSON

Chief Legal and Culture Officer and Company Secretary

Amanda has over 20 years of legal experience gained in private practice and in-house, specialising in consumer finance, wealth management and asset finance.

She joined Belmont Green in April 2020 from the Coventry Building Society where she was Head of Legal and responsible for savings, mortgages, data protection, commercial contracts, outsourcing and corporate governance. Prior to that she worked as Senior Legal Counsel at Citigroup and as a Senior Associate at Norton Rose (now Norton Rose Fulbright).

JENNIE WALTON

Chief People Officer

Jennie is a Fellow of the Chartered Institute of Personnel and Development with over 20 years' HR experience in change management, organisation design, formulating reward strategies and implementing pay and grading structures.

She joined Belmont Green in 2016 from Acenden where she was HR Director for two years. Prior to this she was Director of HR at the Performing Rights Society and has held previous Head of HR positions at Thomas Cook and Virgin Retail.

THE BOARD'S ACTIVITIES IN THE YEAR

MATTERS CONSIDERED BY THE BOARD

The Board regularly receives, and reviews reports on strategy, business performance, and results across various business sectors before each meeting. These meetings include detailed discussions on insights provided by the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, and Chief Operations Officer. A Business Performance Report, encompassing both financial and non-financial management data along with Scorecards, is presented at every meeting to track progress against key performance indicators. Additionally, the Chairs of the Board Risk Committee, Board Audit Committee, and Board Remuneration and Nominations Committee provide updates on their respective Committee's activities. Members of the Executive and Senior Leadership Team regularly attend Board and Board Committee meetings to provide updates and insights on a variety of matters.

During 2023, key topics considered and debated by the Board have included:

- Consideration and approval of the 2023 Business Performance Scorecard.
- Feedback and challenge regarding key aspects of Belmont Green's banking programme including the Regulatory Business Plan, ICAAP and ILAAP, key policies and the appointment of NSSL as the retail savings platform provider.
- Debate and approval of Belmont Green's Culture Strategy.
- Debate and approval of the renewal of Belmont Green's mortgage servicing contract with CLS.
- Updates regarding the execution of the Consumer Duty Implementation Plan.
- Challenge and approval of Belmont Green's overarching Risk Management Framework and Risk Appetite Statements.
- Updates regarding the implementation of Belmont Green's Environmental, Social and Governance Strategy.
- Approval of Belmont Green's Modern Slavery Statement.
- Debate of the results of an internal Board Effectiveness Review.
- Insight session exploring the outlook for the UK economy and housing market, provided by an external economic analysis and forecasting consultancy.

BOARD AND COMMITTEE ATTENDANCE

The Board is required under its Terms of Reference to meet at least six times each year. In practice, the Board meets monthly (other than in August and December), with four CEO Update meetings taking place in addition to the six Board meetings. Board and Board Committee attendance rates are excellent, as demonstrated by the table below showing attendance at Board and Board Committees of each member during 2023.

Name	Title	Board	Board Risk	Board Audit	Remuneration & Nominations
Stephen Haggerty	Chairman	10/10			5/5
Anth Mooney	Chief Executive	10/10			
John Rowan	Chief Financial Officer	9/10			
Fraser McNeill	Chief Risk Officer	9/10			
Alan Newton (resigned)	Independent Non-Executive Director	1/2[1]	2/2[15]		1/1[1]
Carol Sergeant	Independent Non-Executive Director	9/10	6/6	5/5	
Dr Peter Williams	Independent Non-Executive Director	10/10		5/5	5/5
Robin Churchouse	Independent Non-Executive Director	9/10	6/6	5/5	
Dana LaForge	Non-Executive Director	10/10	6/6	5/5	5/5

Meetings exclude ad hoc meetings scheduled to discuss matters relevant to Project Vault

[15] The other meetings took place after Alan left the business.

GOVERNANCE FRAMEWORK

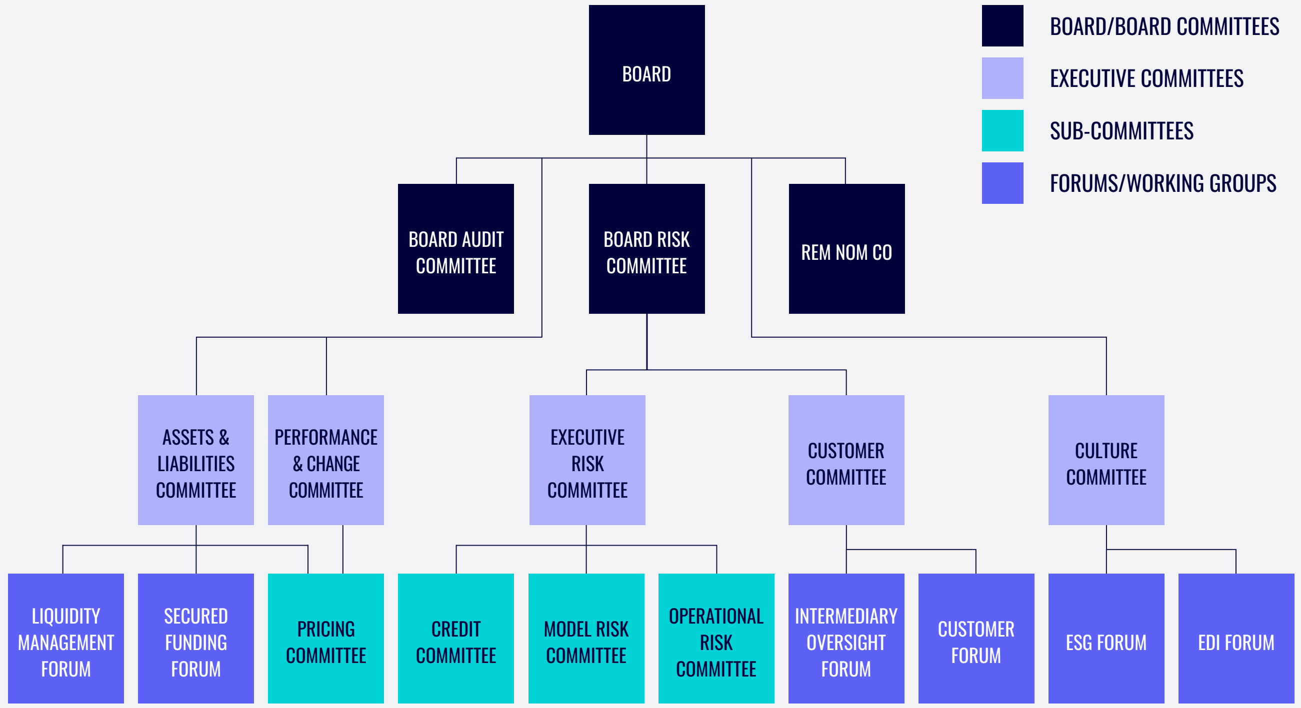
The Board of Directors of Belmont Green (The Belmont Green Finance Limited group of companies or BGFL) is responsible for the governance of the business. The Board establishes Belmont Green's purpose, culture, values and strategic goals. It is the principal decision-making body for all significant matters affecting the business. The Board ensures that the business has sufficient resources to meet its objectives and to comply with all legal, regulatory and contractual requirements. The Board is committed to rigorous standards of governance and recognises that a robust governance framework with effective controls and clear accountability is in place to enable risk to be assessed and managed, safeguarding the prudent and sustainable operation of the business.

BOARD AND COMMITTEE STRUCTURE

Our governance structure consists of the Board of Directors, Board Committees with responsibilities delegated by the Board, five Executive Committees, and a small number of Sub-Committees and forums each with defined roles and responsibilities. There are a number of Working Groups which discuss matters relevant to the day-to-day running of the business, and report to the Committees and Sub-Committees as appropriate, but which are not decision-making bodies.

This structure ensures there is effective oversight of the entire spectrum of activities undertaken by the business. The Legal and Company Secretarial Function is responsible for ensuring that the governance framework is adhered to and that the responsibilities and accountabilities of each Committee are clearly documented and understood. It ensures that governance obligations are effectively discharged, and that there is transparent and timely reporting from, and communication between, the Sub-Committees, Executive Committees and Board Committees and on to the Board.

COMMITTEE STRUCTURE CHART



Summary information regarding each of the Board Committees is set out below

Committee	Audit	Risk	Remuneration & Nominations
Chair	Robin Churchouse	Carol Sergeant	Peter Williams
Minimum number of meetings	4	5	3
Role and responsibilities	Assist the Board to fulfil its oversight responsibilities relating to accounting, financial reporting and internal control.	Assist the Board in fulfilling its oversight responsibilities for risk management across the organisation.	Assist the Board in fulfilling its oversight and governance responsibilities in relation to corporate governance and particularly renumeration and nominations related activity.

CORPORATE GOVERNANCE

ELEMENTS OF THE GOVERNANCE FRAMEWORK

Matters Reserved for the Board

The schedule of matters reserved for the Board is reviewed annually. The document details key matters which are required to be or, in the interests of the Company and its stakeholders, should only be decided by the Board as a whole. Whilst a number of matters are reserved for the Board, the Board delegates certain responsibilities and authorities to the CEO and Board committees.

Board Responsibilities

A clear division of responsibilities exists between the roles of the independent Chair of the Board (Chair) and the Chief Executive Officer (CEO). It is the responsibility of the Chair to lead and manage the work of the Board. Responsibility for the Executive leadership and day-to-day management of BGFL's business is delegated to the CEO. The CEO is supported in his role by the Executive Team. Our Senior Independent Director works closely with the Chair and other Board members playing an active role as an experienced sounding board and providing support as required.

Board Composition

Our Board consists of individuals with a broad range of financial services knowledge and experience in both mortgage lending and banking. The Board currently has eight members, with a vacancy for an additional Independent Non-Executive Director. Membership currently consists of three Executive Directors (the CEO, the CFO and the CRO), an independent Chair, three other independent Non-Executive Directors and one Shareholder Non-Executive Director. With a full complement of directors in place, the Board composition will align with best practice under the UK Corporate Governance Code as, excluding the Chair, at least half of the Board will be independent.

Whistleblowing

Belmont Green is committed to transparency and integrity in all aspects of its business. We have a robust Whistleblowing Policy in place which clearly sets out how individuals can raise concerns in a confidential manner. The Chair of the Board Risk Committee, and Senior Independent Director, Carol Sergeant, is Belmont Green's Whistleblowing Champion. The Board receives an annual report from the Director of Compliance reviewing any whistleblowing communications and awareness during the period and details of any events logged. During 2023, there were no cases of whistleblowing reported.

Conflicts of Interest

The directors are aware of their responsibility to avoid a situation in which they have an actual or potential conflict of interest and of the requirement to inform the Chair and Company Secretary of any actual or potential conflict of interest and of any change in their situation. In accordance with Belmont Green's Conflict of Interest Policy, the HR Function maintains a Conflict of Interest Log. This log documents all disclosed conflicts, includes an assessment of each conflict, and outlines any necessary actions to address them. These considerations are carried out in collaboration with the Compliance Function. The Board Risk Committee receives an annual report from the Director of Compliance confirming adherence to the Conflicts of Interest Policy, known conflicts and any breaches of policy.

Company Secretary

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are complied with, advising the Board on governance matters, supporting the Chair, and helping the Board and its committees to function efficiently. Both the appointment and removal of the Company Secretary are matters reserved for the Board.

Amanda Robinson, Chief Legal and Culture Officer, has been the Board appointed Company Secretary since joining the business in April 2020.

BOARD AND STAKEHOLDERS (SECTION 172)

Strong and balanced relationships with all our stakeholders are central to our strategy and culture and are embedded in the Board's responsibilities. Our values drive the way we run our business and interact with all of our stakeholders.

In accordance with their obligations under section 172 of the Companies Act 2006, Belmont Green and its directors work in the way which they consider, in good faith, will be most likely to promote the long-term success of the company for the benefit of its members as a whole.
This section sets out how Belmont Green and its directors have complied with the requirements of section 172 during the year

CUSTOMERS

Our customers are at the centre of our business. We offer products which help people with complex borrowing needs to meet their financial objectives by providing access to borrowing at a price they can afford, and understanding our customers is naturally at the heart of our organisation. Providing customers with a good service, supporting them on their lending journey, striving to deliver good outcomes, and supporting vulnerable customers are factored in all decisions made at Board and at Committees.

The Board retain oversight of customer-related issues through regular reports. Metrics such as customer satisfaction scores, retention rates and complaints numbers are reported to the Board monthly.

The Board has appointed the Senior Independent Non-Executive Director as the Consumer Duty Board Champion, who along with the Chair and other Board members has played a key role throughout 2023 in overseeing, challenging and monitoring Belmont Green's approach to the implementation of the Consumer Duty regulations ahead of the FCA 31 July 2023 deadline, as well as ensuring the Board has continued oversight of the embedding of the Consumer Duty throughout the organisation. The Consumer Duty Champion received regular updates on the progress of the Implementation Plan outside of formal governance, gaining insight into regulatory expectations through industry publications and FCA seminars.

PEOPLE

We are proud of the caring workplace culture we have built in our business. Our success depends on the valuable contributions of our colleagues, who are our primary assets. We foster an environment of transparency and open communication among the Board, management and all of our colleagues.

The Board attends Belmont Green's office regularly which provides the opportunity to interact directly with colleagues on an informal basis. The Board have met with colleagues across the business who form our ESG and EDI Forums and, most recently, the Board met with our Culture Champions Group. The Culture Champions represent all functions across the business and play a key role in understanding any concerns from colleagues and in formulating and delivering action plans to address these. The Group met with the Board in September 2023 to discuss the Culture Strategy, prior to discussion and approval of the Culture Strategy by the Board. Virtual "all-staff" sessions are held weekly with a range of internal speakers including the CEO, and Q&A sessions are organised ahead of major strategic updates.

Our colleague engagement survey is run twice each year through an independent organisation in order to ensure that colleagues are able to provide anonymous feedback against we can measure ourselves. Following the results of the engagement survey, the management and Board review the results, consider the key themes and agree steps to address areas for improvement. During 2023, the key focus of the business in response to the engagement survey was in the areas of personal development, giving back to our wider communities and ways of working. A new Learning and Development Framework was rolled out with a series of internal soft skills courses tailored for all levels of seniority across the organisation. We communicated with colleagues regarding the progress we have made in implementing our ESG Strategy and engaged colleagues in fundraising and volunteering activities. We operate a hybrid working model and have continued to ensure there are regular opportunities for collaboration within and across teams as well as coming together as a whole organisation.

SHAREHOLDERS AND INVESTORS

Our approach to investor engagement has remained transparent and straightforward as we favour an open dialogue.

We have built up an investor base of over 50 investors across the UK and Europe, since the Tower Bridge Funding platform was established in 2017. Belmont Green works closely with its debt investor base speaking regularly to both existing and prospective investors through a combination of transaction related and non-deal marketing. Further enhancements from an investor perspective during 2023 have included improvements in reporting, securitisation transaction design and our general product proposition.

As Belmont Green's majority shareholder, with 99.5% of preferred and A shares held as of 31 December 2023, the Board has a strong relationship with Pine Brook. Pine Brook is represented on Belmont Green's Board and all Board Committees. Through their Board attendance Pine Brook receives regular updates on performance and strategy. All other Non-Executive Directors, including the Chair, are independent. This balance helps to ensure that Belmont Green's shareholder has representation at the Board, but the Board has the ability to form its own views on all matters and to ensure that decisions are made in the best interests of all stakeholders, including customers and colleagues.

REGULATORS

Belmont Green is regulated by the Financial Conduct Authority. The Board recognises the importance of maintaining an open and ongoing dialogue with regulators, as well as other government entities, trade associations, and UK Finance.

Throughout 2023, Belmont Green maintained a proactive dialogue with the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) while continuing to progress the bank authorisation process. The Chief Risk Officer and Director of Compliance provided the Board and its Committees with feedback and regular updates in respect of progress with the banking licence application process and feedback from the FCA and PRA as well as providing updates regarding the broader regulatory landscape and compliance considerations.

COMMUNITY

The Board recognises the wider environmental and social impact of Belmont Green's operation and the importance of giving back to the communities in which the business operates.

The Board regularly receives updates on the progress made towards implementing our ESG Strategy. Further information on how we engage with the environment is set out in the Sustainability Report section.

The Board and management actively encourage and fully support engagement with our local communities to make a positive impact. In 2020 we entered into a 3-year partnership with Crisis and during 2023 fulfilled our commitment to donated more than £150,000.

All of our colleagues are encouraged to participate in voluntary work and are provided with a day per year to enable participation during working hours. 2023 saw more colleagues than ever before make use of their volunteering day.

BUSINESS PARTNERS AND SUPPLIERS

Belmont Green aims to provide a streamlined underwriting and decisioning process, which results in a seamless journey whilst providing high-quality service to the intermediary partners and their borrowers. All intermediary sales activity is monitored, through conversion from initial decision in principle, to application, offer and then completion, via a fully controlled and documented governance process. Every new intermediary registration undergoes thorough due diligence and receives a detailed 'welcome call' including a fact find to ensure appropriate processes are in place to support a safe and successful distribution relationship.
Performance and feedback are reviewed regularly via the Intermediary Oversight Panel and our intermediary facing teams maintain a constant dialogue with brokers. Quarterly surveys, specifically using the Net Promoter Score (NPS), are administered among intermediaries. The results are communicated to and discussed with the Board.

Ongoing engagement with our key suppliers ensures operational resilience and reduced risk. Key business partner relationships, principally relating to mortgage servicing and technology services, are identified, actively monitored and reported to the Board. The Board Risk Committee receives periodic updates regarding our material outsource service providers to ensure it retains oversight and is satisfied that the relationships are appropriately managed and continue to add strategic value to the business.

BOARD AND COMMITTEE EFFECTIVENESS

The effectiveness of the Board is reviewed annually. During 2023, we updated our skills assessment of the Board's collective capabilities in respect of each of the core attributes required of our Board. The matrix below demonstrates that our Board collectively has the right balance of skills and experience and indicates which capabilities should be prioritised in future appointments to the Board.[16]

SKILLS AND EXPERTISE

[16] Individual directors may fall into one or more categories. The number indicates directors who are expert or have a good level of experience and understanding of each area. Other directors may have some limited relevant experience and knowledge in these areas but have not been included in the numbers.

We recognise Board and Committee Effectiveness Reviews are a valuable tool to ensure high performance standards and these form part of the regular governance cycle, led by the Chief Legal and Culture Officer and Company Secretary.

The Effectiveness Reviews examine a range of issues including an evaluation of the understanding and development of strategy, Board and Committee composition, access to information, levels of openness, challenge and energy and understanding of specific areas which fall within the responsibility of each Committee.

The most recent Effectiveness Reviews conducted in September 2023 concluded that the Board and each of the Board Committees and Executive Committees were functioning efficiently with no material concerns raised. There were a number of actions agreed for each to ensure continuous improvement. Actions arising from each of the reviews are tracked by the Legal and Company Secretarial Function and progress on the Board and Board Committee actions is reported to the Board Remuneration and Nominations Committee. Feedback provided through the Effectiveness Reviews acknowledged the need to enhance the gender and ethnic diversity of the Board and we will address this as new appointments are considered in the context of the banking programme.

AUDIT COMMITTEE REPORT

ROBIN CHURCHOUSE
CHAIR OF THE AUDIT COMMITTEE

This section looks at the role, responsibilities, and activities of the Board Audit Committee (the Committee) during 2023, including how we have looked to react to developments within the business and the wider environment..

ROLE AND RESPONSIBILITIES

The Committee is a core part of the Group's governance framework. Its fundamental purpose is to oversee and to advise the Board on the Group's financial reporting, internal audit, and internal controls.

The Committee is specifically responsible for:

- Reviewing, and challenging, the Group's accounting and financial reporting processes.
- Providing independent oversight of the company's financial statements, including ensuring they present a fair, balanced, and understandable view of the Group's performance and position.
- Reviewing and challenging material accounting judgements, estimates and issues.
- Reviewing and challenging the Group's going concern and viability statements.
- Monitoring the scope, adequacy, and effectiveness of the Group's internal control systems, including through the review of all reports by the internal audit function.
- Reviewing the role, effectiveness, and independence of the Group's internal audit function, including the adequacy of the resources available to the function, and approving the Internal Audit charter annually.
- Reviewing and approving the annual workplan for the Group's internal audit function, as well as overseeing the results of the function's work and resolution of any identified issues.
- Reviewing the role, effectiveness, and independence of the Group's external audit arrangements.

On all of these areas the Committee's role is to support, and report to, the main Board.

The Committee's terms of reference were reviewed and updated by the Board Audit Committee in September 2023, and approved by the Board on 28 September 2023.

COMPOSITION AND ATTENDANCE

The Committee's membership is composed solely of three independent Non-Executive Directors and one shareholder appointed Non-Executive Director. During 2023 membership was unchanged and consisted of:

- Robin Churchouse (Chair, appointed April 2019)
- Carol Sergeant (appointed September 2019)
- Dana LaForge (appointed September 2020)
- Peter Williams (appointed March 2019)

The Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters.

The Board Audit Committee met five times during the year. The attendance of individual members is shown in the Board and Committee Structure section above.

Through the year a broad range of management and other parties attended the Committee including the CEO, CFO, CRO, Head of Internal Audit, External Audit partner, Internal Audit Co-Source partner, General Counsel & Company Secretary and Group Chair.

A review of the effectiveness of the Committee was undertaken during the year. The General Counsel & Company Secretary surveyed all Committee members, and feedback was sought from external observers. The assessment looked at how the Committee fulfilled its objectives both in terms of covering all areas, but also in terms of meetings being both collaborative and challenging, the quality and clarity of papers, the quality of members' input and of the chairing of the meeting. The results of the survey were reported to and debated by the Committee, leading to identification of a small number of actions aimed at building on the current quality of the Committee to ensure its ongoing development towards being "bank-ready". In 2023 these actions centred on the possible need for additional committee training going forwards, and on monitoring the appropriate mix of attendance at committees.

CORPORATE GOVERNANCE

COMMITTEE ACTIVITIES

During 2023 the Committee's activities covered the following issues:

1. FINANCIAL REPORTING

Alongside monitoring progress on our financial reporting and account publication, the Committee undertook detailed consideration of our key accounting judgements or areas of complexity including:

- Expected Credit Losses – Involving reviewing, challenging and agreeing the economic assumptions and scenarios underlying loan loss provisions, and the need and methodologies for model overlays reflecting areas not, in our view, adequately covered by the core model. This included the removal of a number of existing overlays, and the implementation of additional ones, reflecting the dynamics of both our portfolio and the broader economy, and the inevitable shortcomings of any provisioning model. Extensive debate took place over the appropriate economic assumptions reflecting the changing conditions and outlook as we moved through 2023, and this is likely to remain a core area of debate for some time to come. Overall, the Committee was satisfied with the assumptions and scenarios, and that individual and overall levels of provisioning were adequate.

- Expected Loan Lives and Effective Interest Methodology – Involving reviewing, challenging and approving the impact of changes to forward interest rates used within the models, and of updating prepayment curves used to predict borrower behaviours on interest income accounting. The Committee was satisfied that both the proposed forward rates and expected lives prudently reflected trends in the economic conditions and in our customer behaviours and the likely impact of changing external conditions.

- Provisioning Policy – Reviewing and approving updates to our Provisioning Policy, which largely centred on changes required as a result of our banking licence application.

- Deferred taxation – Reviewing the recoverability of our deferred tax asset in the light of changing external conditions and projected earnings for the Group, and satisfying ourselves that the asset remained valid.

- Going concern and viability statements – The Committee's considerations continued to be significantly complicated by the impact of the external environment within which we operate, and in particular the shifting interest rate environment following an extended period of low and stable base rates. Allied to this were considerations around arrears levels, roll rates on the loan book at product maturity, and the availability of wholesale and capital funding. The Committee reviewed the Group's management of impacts, its forecasts and its funding arrangements, including the continued funding support of its majority shareholder and a number of specific scenarios and sensitivities run around capital funding and default levels. With all of these elements in mind, and taking into account discussions with and challenges from our external auditors, the Committee remained satisfied that it is appropriate to adopt the going concern basis.

- External auditor reports – Reviewing and debating the findings, challenges and recommendations of our external auditors as presented to the Committee.

An overarching responsibility of the Committee is to make certain that the Group's accounts present a fair, balanced and understandable view of the Group's performance and position. Inherent in this is that they provide the information needed to assess the Company's position, performance, business model and strategy. The Committee ensured that, as well as addressing the specific issues and items highlighted above, it stood back and reviewed the overall report and accounts, including the strategic and committee reports and updates, with a particular eye on ensuring that:

- Key events during the year were fairly reported, as well as any significant post-balance sheet date events.

- The Group's current financial position and its current and future strategy were fairly and clearly represented.

- Key messages and judgements within the financial and narrative sections are consistent.

The Committee was satisfied that the Group's accounts achieve all of these, and that they therefore do present a fair, balanced and understandable view of the Group's performance and position.

CORPORATE GOVERNANCE

CONTINUED...

2. INTERNAL CONTROL SYSTEMS

Whilst the Board has overall responsibility for the Group's internal control environment and for assessing its effectiveness, the Committee plays a critical role in helping it to fulfil this responsibility. It does this through more detailed review and challenge. The review of reports by Internal Audit, alongside work undertaken internally by, amongst others, the Risk and Finance functions and by our external auditors, and our review of ad hoc issues and reports, allowed the Committee to satisfy itself as to the adequacy of our internal systems of control, in particular as they relate to our financial reporting. That is not to say that improvements cannot be made, and in particular these are identified, and their resolution tracked, principally through our Internal Audit processes and our Risk Management Framework.

Whilst we are satisfied that our systems and controls are adequate, as the Company moves towards becoming a fully authorised bank, we are committed to a programme of further and continuous improvement and embedding across all areas to ensure that we are fully "bank-ready".

In addition, during 2023 the Committee, as part of the Group's broader programme working towards its banking licence application, undertook a detailed review of the new Recovery Plan. This document, which forms a key part of a bank's recovery and resolution processes, specifically focuses on scenarios which could lead to a recovery situation (i.e., beyond business-as-usual variances and stresses, but still recoverable by the business and so short of requiring resolution by the regulators) and the nature, impact and effectiveness of actions available to the business in such circumstances. Overall, the Committee was satisfied that the Recovery Plan was sufficient for the Group's use, and included a comprehensive and realistic assessment of the nature and efficacy of available actions.

3. INTERNAL AUDIT

During 2023 our Internal Audit was delivered through a combination of outsourcing and co-sourcing arrangements with PwC. The arrangement transitioned to a co-sourcing arrangement following the appointment of a new Head of Internal Audit in May 2023. Throughout the year the majority of detailed audit work was delivered by PwC, and from May 2023 this was under the direct oversight of the Head of Internal Audit. Through the second half of the year, the Head of Internal Audit, in addition to overseeing this delivery, focussed on reviewing our audit approach (including the audit universe, methodology and charter), undertaking a review of our approach against industry standards and preparing the proposed Internal Audit Plan for 2024. Moving forwards, we will continue to use a co-sourced arrangement as we build our internal team – and in all likelihood will do so for some time to come as an effective and efficient way to source, in particular, specialist audit skills (e.g., in technology and treasury). Throughout this the Committee will retain a focus on the adequacy of our internal audit function, including its approach and resourcing. We are satisfied that this shift will enhance the effectiveness of the internal audit programme – combining internal resources fully embedded in the business and with the requisite skills to understand our audit risk universe and how to address those risks, with a wider pool of skills and resources available through our co-source partner.

During 2023, the Committee approved and continuously kept under review the 2023 Audit Plan, as well as approving a revised Internal Audit Charter, Audit Universe and planning methodology, and the 2024 Audit Plan, including the resource approach. A broad range of internal audit reports and associated actions were reviewed and challenged, with areas covered including the Group's Responsible Lending Policy, Vulnerable Customer Management, Lending Into Retirement, Operational Resilience, Product Governance, Consumer Duty Implementation, Financial Crime, Treasury Controls and Enterprise Wide Risk Management Framework.

All of the issues and actions identified during these audits are reviewed by the Committee, and their resolution by management to the satisfaction of Internal Audit is monitored.

4. EXTERNAL AUDIT ARRANGEMENTS

The Committee is responsible for assessing the effectiveness of Deloitte's audit including its independence and objectivity.

These matters were considered on an ongoing basis and during NED-only discussions, and in more detail in September through the Committee effectiveness review and discussion of the results. The Committee concluded that we were satisfied with the robustness and diligence of Deloitte's approach and conclusions. In specifically considering Deloitte's independence and objectivity in the context of our financial reporting, the Committee has taken into account:

- Deloitte's annual independence statement, and its compliance with relevant laws, regulations and other professional and ethical statements.
- The business's feedback on Deloitte's approach and performance.
- The change of lead partner initiated by Deloitte.
- The Board Audit Committee's own interactions with Deloitte.

Taking all of these into account, the Committee is satisfied with Deloitte's independence and level of challenge.
During the year Deloitte did not receive any non-audit fees (2022: nil).

LOOKING FORWARD

Moving forward into 2024, the focus of the Committee will be on:

- Embedding our in-house co-sourced internal audit function whilst maintaining an effective internal audit programme.
- Playing a critical role in the attestation processes that are a key part of our aim of successfully receiving full banking licence approval.
- Monitoring the business' drive towards "bank-ready" systems of control, including obtaining assurance of any material change programmes that result.
- Ensuring that our financial reporting remains timely, comprehensive and focussed on providing stakeholders with a clear view of our performance and financial position.

RISK COMMITTEE REPORT

CAROL SERGEANT
CHAIR OF BOARD RISK COMMITTEE

This section looks at the role, responsibilities, and activities of the Board Risk Committee during 2023, including how internal and external risks have been reviewed and managed. Please refer to the Risk Management section of this report for a discussion of the principal risks to which Belmont Green is exposed and an explanation of how risk is managed across the organisation.

ROLE AND RESPONSIBILITIES

The Board Risk Committee is a sub-committee of the Board. It has delegated authority from the Board and assists the Board in fulfilling its responsibilities for the effective management and oversight of risk across the organisation.

The Board Risk Committee's key responsibilities during 2023 included:

- Review and recommendation to the Board of Belmont Green's risk appetite and limits.
- Oversight of the risk management strategy including the review and approval of Belmont Green's bank-ready ERMF.
- Review and challenge of the adequacy of Belmont Green's internal systems, controls, and capability to manage risks.
- Review and challenge of the risk culture within Belmont Green.
- Review and approval of material risk policies and frameworks, including those prepared in readiness for becoming a bank.
- Review of change management processes involving business practices and products.
- Review and approval of the second Line Risk Plan and oversight of the effectiveness of the plan's implementation.
- Oversight, review and challenge of Belmont Green's regulatory, compliance and fraud risks, including updates on the delivery of the Operational Resilience requirements.

The Board Risk Committee's terms of reference were reviewed and updated by the Board Risk Committee and approved by the Board on 27 September 2023. The review resulted in updates to the principal risks to align with the revised ERMF, and setting out the additional responsibility for review, challenge and oversight of compliance with the ICAAP and ILAAP documents.

COMPOSITION AND ATTENDANCE

The Board Risk Committee's membership is currently composed of two independent Non-Executive Directors and one shareholder appointed Non-Executive Director. During 2023 membership consisted of:

- Carol Sergeant (Chair, appointed September 2019)
- Robin Churchouse (appointed April 2019)
- Dana LaForge (appointed September 2020)
- Alan Newton (appointed May 2019, resigned with effect from 28 February 2023)

The Board Risk Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters.

The Board Risk Committee met six times during the year. The attendance of individual members is shown in the Board and Committee Structure section above.

Throughout the year a broad range of management routinely attended the Committee including the CEO, CFO, CRO, COO, Chief Legal & Culture Officer, Internal Audit and members of the Risk Leadership Team. First Line Business Owners also attended meetings to discuss and receive challenge on management of risks in their area. In particular, the Chief Operating Officer provided regular updates on the key risks within operations, including the management of information security risk and the operational resilience strategy and supporting framework. In addition, the Chief People Officer attended providing an update on HR (People) Risk, and for discussions on organisational culture, Equality, Diversity and Inclusion (EDI), gender pay, succession planning, employee wellbeing, staff turnover and training. The Chair of the Committee holds regular NED only meetings to ensure that issues can be raised confidentially if necessary and has regular meetings with the CRO and other executives outside of the Committee meetings.

CONTINUED

A review of the effectiveness of the Committee was undertaken during the year. The General Counsel & Company Secretary assessed the Committee's performance against its terms of reference and surveyed all Committee members and regular attendees. The assessment reviewed the extent to which the Committee effectively discharged its obligations, the quality of papers, openness of debate and challenge within meetings, reporting to Board and the relationship of Committee with management. The results of the survey were reported to and debated by the Committee and a small number of recommended actions will be implemented. It was concluded that the Committee had operated effectively throughout the year.

The Board Risk Committee has unrestricted access to Executive Management and external advisors to help discharge it duties. It is satisfied that in 2023 it received sufficient, reliable, and timely information to perform its responsibilities effectively.

The Chair of the Board Risk Committee reports on matters dealt with at each Committee meeting at the subsequent Board meeting.

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COMMITTEE ACTIVITIES

RISK MONITORING AND OVERSIGHT

During 2023, the Committee considered a wide range of risks facing Belmont Green, both existing and emerging, across all principal risks. At each scheduled meeting, the Committee received regular reports from the CRO summarising the risk profile of the organisation and highlighting any key areas for consideration, including any key risk events and associated lessons learned. This is supported by a detailed Risk Report comprising a summary of Belmont Green exposures against risk appetite, a Key Risk Indicators report and summary risk reports relating to all of Belmont Green's principal risks.
During the year the Committee supported and oversaw a fundamental review of the key risk metrics reported at Board / BRC level and to the executive committees to ensure that they remained relevant and actionable in light of the current strategy, economic and social environment and regulatory requirements.

Risk appetite and tolerances are also regularly reviewed to ensure they remain appropriate and relevant to the business strategy, economic environment and regulatory and social expectations.

RISK MANAGEMENT AND CONTROLS RISK MANAGEMENT AND CONTROLS

Throughout the year, the Committee monitored the effectiveness of Belmont Green's risk management and internal control systems and reviewed and confirmed their effectiveness through the ERMF. The ERMF sits across the business with a particular focus on quality assurance and control.

TOP AND EMERGING RISKS

Belmont Green's top and emerging risks (within each principal risk category) are considered regularly by the Committee. Further information about Belmont Green's top and emerging risks are provided in the Risk Report.

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS

During 2023, the following significant risks and primary areas of focus were considered by the Committee:

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS	BOARD RISK COMMITTEE REVIEW
Enterprise Risk	• The Committee received regular summaries of the overall risk profile through the Chief Risk Officer's Report, which covers all the principal risks faced by Belmont Green. • The Committee reviewed and approved the revised Enterprise Risk Management Framework (previously RMF) and recommended that it be approved by the Board (approval by the Board was provided in September 2023). • The Committee reviewed and approved the 2024 Annual Risk and Compliance Plan, which included the key areas of focus for the second line risk function. • The Committee reviewed the effectiveness of the ERMF throughout the year through the Chief Risk Officer's Report. • The Committee reviewed the top and emerging risks prior to inclusion within the Annual Report and Accounts. • The Committee reviewed the results of Risk and Control Self Assessments (RCSAs) conducted for every business area during the course of the year, which was overseen and reported by the Director of Operational Risk. • The Committee approved Belmont Green's annual insurance for all lines except for Directors and Officers (D&O) liability insurance, which is a matter reserved for the Board. • The Committee reviewed the risks associated with the banking licence application programme, the progress made by the programme and associated documents. This included, but was not limited to, review and approval of the bank-ready ERMF, and the risk management related bank-ready policies.
Board risk appetite	• The Committee reviewed Belmont Green's overall risk appetite and limits and undertook a detailed review of, and approved changes to, the Risk and Compliance Key Risk Indicators.
Business Risk	• The Committee reviewed regular reports on the externally and internally driven business risks associated with the challenging macroeconomic environment and political uncertainty throughout the year.

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS	BOARD RISK COMMITTEE REVIEW
Capital Risk	• The Committee reviewed regular reports on the capital risk profile of the business and the associated mitigation. • The Committee reviewed and approved the Capital Policy.
Credit Risk	• The Committee reviewed and approved a number of key policies and frameworks including the Credit Risk Appetite Framework, the Credit Lending Policy, the Wholesale Credit Risk Policy, the Responsible Lending Policy and Loan Provisioning Policy. • The Committee reviewed reports on the cost of living challenges, and interest rate environment, and in particular the impacts of higher interest rates over a longer period. • The Committee received an update on the climate and transition risks facing Belmont Green.
Operational Risk	• The Committee reviewed updates on Belmont Green's approach to operational resilience. • The Committee reviewed the Operational Risk Management, Financial Crime Framework, Anti-money Laundering Policy, Anti-bribery & Corruption Policy and Fraud Policy. • The Committee received the annual report from the Money Laundering Reporting Officer and the Data Protection Officer. • The Committee reviewed a number of deep dive analyses including a review of supplier onboarding. • The Committee reviewed the Material Outsourcing Bi-Annual updates outlining the process to ensure effective management and oversight of third parties in accordance with the requirements of Belmont Green's Outsourcing and Supplier Policy.
Conduct and Operational Risk sub-categories (Legal and Regulatory Risk)	• The Committee reviewed and approved the Conduct Risk Policy, the SMCR Policy, and the new Customer Policy, which incorporates the Customer Vulnerability and Treating Customers Fairly Policies. • The Committee reviewed progress through to closure of the programme to deliver the requirements of the Consumer Duty regulations as published in the FCA's Policy Statement 22/9. • The Committee reviewed and approved the annual Conflicts of Interest Register and Conflicts of Interest Policy.
Funding, Liquidity and Market Risk	• The Committee reviewed and approved the Liquidity & Funding Policy and the Interest Rate Risk Policy.
Stress Testing	• The Committee reviewed and approved Belmont Green's Stress Testing Policy.

LOOKING FORWARD

Moving forward into 2024, the focus of the Committee will be on:

- Embedding the bank-ready ERMF business wide, through a programme of training and awareness, in line with Belmont Green's plan to become a bank.
- Continued oversight of risks arising as a result of the business seeking to become 'bank-ready' (including compliance with all relevant regulatory requirements) and the associated change programmes.
- Continued oversight of the business risks associated with the challenging macroeconomic environment and political uncertainty.
- Continued oversight of Belmont Green's credit risk management framework in light of the continued macroeconomic uncertainty and cost of living and affordability challenges.
- Continued oversight of the further embedding of the Consumer Duty requirements following effective implementation in 2023.
- Monitoring the continued embedding of the outsourcing and operational resilience frameworks to ensure risks continue to be identified and appropriately managed in accordance with Belmont Green's risk appetite.
- As part of the transition to meeting banking requirements, the second line will start formally reporting their annual review of the remuneration framework (including the Renumeration Policy) directly to the Board Risk Committee.
- Continued focus on organisational culture and people requirements.
- Direct discussions with, and challenge to, First Line Business Owners.

OTHER COMMITTEES

REMUNERATION & NOMINATIONS COMMITTEE ("REMNOM")

RemNom is chaired by an independent Non-Executive Director, Peter Williams. Committee membership consists of four of the Non-Executive Directors[17] and in attendance the CEO and the Chief Culture Officer. RemNom meets quarterly. RemNom has the primary aim of ensuring effective governance over the appointment, promotion and remuneration of directors, senior executives, and managers of Belmont Green.
RemNom's key responsibilities are set out below.

REMUNERATION

- Setting remuneration and reward structures (pay and bonus) for the Executives and submitting these to the Board, as well as ensuring their proper implementation.
- Reviewing any exceptions to the Remuneration Policy.
- Setting the measures and criteria by which the Board and Executives are to be assessed.
- Assessing the performance of Board members and Executives.
- Aligning rewards to both performance and promoting effective risk management.
- Reviewing major changes to Belmont Green's benefits and incentive plans.
- Reviewing consistency in remuneration practice across Belmont Green including ensuring legal requirements in relation to gender pay are adhered to.
- Oversight of Equality, Diversity and Inclusion as it relates to remuneration.

[17] Since the resignation of Alan Newton in February 2023, the Remuneration and Nominations Committee has operated with one vacancy for an independent Non-Executive Director.

CORPORATE GOVERNANCE

NOMINATIONS

- Identifying and recommending to the Board for approval, candidates to fill Board level positions as well as suitable candidates to serve as members of the Executive.
- Establishing a succession plan for Board members and Executives.
- Oversight of Equality, Diversity and Inclusion and promotion of diversity in the composition of the Board and management of Belmont Green, ensuring that any gender, or other under-representation is addressed.
- Review the results of Board effectiveness assessments and track progress against agreed actions.
- Administering the process of nominating and approving appointments of individuals who will be certified role holders or holding Senior Manager Functions under the Senior Managers and Certification Regime (SMCR).

During 2023, matters considered by the Remuneration and Nominations Committee included:

- Annual review and recommendation for Board approval of the Remuneration Policy.
- Approval of an updated Remuneration Policy which will apply from the point at which Belmont Green is authorised as a bank.
- Oversight of the SMCR aspects of Belmont Green's application to become a bank.
- Review and approval of 2023 bonus scheme principles.
- Succession planning for the Executives and senior management.
- Update on Belmont Green's approach to Equality, Diversity and Inclusion including a detailed analysis of Belmont Green's gender pay figures.
- Analysis of a suite of key Human Resources metrics for 2023. This included an initial view of the diversity data which has been provided by over 90% of colleagues.
- Discussion of results of an internal Effectiveness Review.

LOOKING FORWARD

Moving forward into 2023, the focus of the Committee will be on:

- Further analysis of the diversity data to understand where there are any areas of under-representation in Belmont and identifying appropriate action to address this.
- Continuing oversight of the SMCR processes as Belmont Green, ensuring the Board retains an appropriate mix of skills and enhances diversity as Board vacancies are filled as Belmont Green transitions to become a bank.

EXECUTIVE COMMITTEES

The Executive Management Team ensures that, at all times, Belmont Green acts within the confines of the Board approved strategy, risk appetite, policies, operating plans, risk management and compliance frameworks, and budgets.

The Executive Management Team is responsible for the day-to-day decision making in connection with the operation and management of the Belmont Green business. Responsibilities and processes are designed to ensure effective management and oversight of Belmont Green's affairs. Governance around decisions is achieved via the five Executive Committees (Executive Risk Committee, Asset and Liability Committee, Performance and Change Committee, Customer Committee and Culture Committee), each with clearly defined roles and responsibilities and made up of members of the Executive Management Team and senior leadership team.

Each of the Executive Committees report directly into the Board and/or Board Committees as appropriate. This governance structure ensures there is effective oversight of the entire spectrum of activities undertaken by the business with decisions made by the appropriate bodies and issues escalated as necessary.

DIRECTORS' REPORT

DIRECTORS' REPORT

The directors of Belmont Green present their annual report, together with the consolidated audited financial statements and Auditor's Report, for the year ended 31 December 2023. Belmont Green has been established to lend in and service the UK mortgage market via the intermediary channel under the brand name of Vida Homeloans. Belmont Green is authorised to provide mortgage finance and administer mortgages. The directors do not expect any significant change to the activities of Belmont Green.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Belmont Green is committed to continually developing our climate-related reporting capabilities and disclosures in coming years. This year, Belmont Green has summarised our current approach to managing climate change risks and planned activities, building on our previous disclosures under the "Streamlined Energy and Carbon Reporting". Belmont Green is not voluntarily reporting under TCFD, and this does not comprise a full TCFD disclosure. Our intention is to assist stakeholders in understanding the impact of climate change on our business in a more transparent and familiar way.

GOVERNANCE

Governance of climate-related matters occurs through two lenses: firstly, through our broader ESG Strategy and secondly through the management of climate-related financial risks, which is integrated into our Enterprise Risk Management Framework.

The ESG Strategy was approved by the Board in December 2022 and throughout 2023 we have focussed on implementing the Strategy and embedding a sustainable mindset across the business. Delivery of ESG activities is managed through the ESG Forum which reports into the Customer & Culture Committee. Further details of the ESG Strategy are set out in the Sustainability Report.

The definition, taxonomy and risk appetite for climate risk is reviewed annually, and most recently approved by the Board in November 2023. Climate risk is reported to and overseen by Board Risk Committee, Executive Risk Committee and Credit Committee. The Board Risk Committee is responsible for the monitoring and oversight of climate and transition risks and the CEO has overall accountability to the Board to ensure that sustainable and responsible practices are embedded within the business. The CEO is the senior manager responsible for ensuring the identification and management of financial risks arising from climate change under the Senior Managers Regime.

STRATEGY

Climate considerations are becoming increasingly important factors in decision making. Regulators are developing tools, mechanisms and taxonomies to ensure it is integrated into the banking system, investment policies and risk management processes. However, the majority of climate reporting is not mandatory in the UK. For Belmont Green, as a small, unlisted, non-bank lender, currently the only mandatory reporting is the annual Streamlined Energy and Carbon Reporting (SECR) of scope 1 and scope 2 carbon emissions. Belmont Green does, and will continue to, comply with all mandatory reporting requirements and will continue to provide additional voluntary disclosures in a proportionate manner where we consider this is of value to our stakeholders.

Climate considerations are also embedded into our business strategy, culture and decision-making processes in order to support our purpose and deliver our strategic aims in a way which delivers the best outcomes for our stakeholders, our people and our company.

RISK MANAGEMENT

We have taken a proportionate approach to climate-related financial risks, recognising both the significant medium-term impact that this is expected to have on our business and the evolving nature of the risks. The most significant risks for Belmont Green are set out below with explanations of how they could result in losses for Belmont Green. In most cases, losses are through credit risk and therefore we have implemented climate risk within our Enterprise Risk Management Framework as a sub-set of credit risk.

The appetite for Climate Risk has been established by the Board as follows:

> We have no appetite for material climate risks, whether through transition or physical risks, that are not appropriately monitored, mitigated, avoided or explicitly accepted.

Climate risks could affect the business through multiple different mechanisms. To ensure a proportionate approach, we have focussed on those mechanisms that we judge could result in material risk for our business in the short or medium term. We have assessed these to be as follows:

The **physical impact** of climate change is expected to be much less in the UK compared to other countries. However, it is expected to affect our business in two main ways:

- **Flooding** from increased rainfall, including secondary impacts where homes become uninsurable.
- **Subsidence** increases in areas of South East England where rainfall will decrease and temperatures rise.

Flooding and subsidence result in additional costs for our borrowers – repairing damage, lost rental income and increased insurance costs for higher-risk properties. This also results in a lower valuation of properties.

Additional costs and lower valuations could increase the likelihood of default and also increase the potential loss given default. As a result, this may result in increased credit losses for Belmont Green.

In addition, **transition risk** will arise from measures the government takes to encourage households to reduce energy consumption in particular:

- Stricter **energy efficiency** (EPC) requirements on private rented properties.
- Introduction of energy efficiency requirements for **owner-occupied** properties.

We expect increased costs for our borrowers to meet those requirements, loss of rental income if properties cannot be rented out and reduced property valuations or sale costs if such properties are repossessed. This could increase the likelihood of default and also increase the potential loss given default. As a result, this may also result in increased credit losses for Belmont Green.

There is also a **reputational risk** if Belmont Green is unable to show sufficient progress in reducing emissions, either own emissions or those of our financed properties, or cannot provide sufficient information about emissions to regulators, investors or customers.

RISK MITIGATION

Physical risk is managed at present through analysis and we are ready to adjust lending policy if the analysis shows that there is a material risk. We have analysed the risk of flooding in our present portfolio and this is not shown to be material. However, we are aware that the end of the FloodRe reinsurance scheme in 2035 may result in rising material costs for a number of our borrowers. We are also sourcing improved data on other physical risks including subsidence.

Transition risk is managed through lending policy and portfolio analysis. Belmont Green's lending policy does not permit properties that do not comply with current EPC requirements and we require borrowers to have a plan to meet new EPC requirements. We keep the political and regulatory position under close review and are ready to adjust our policies in line with any announced changes. We also monitor the EPC distribution of our portfolio and how it compares with the national average.

Reputational risk is managed by following developments in the market and ensuring we remain in line with our peers and responsive to our stakeholders. At present the main areas of development are around disclosures, in particular the methodology on how we source the data for our scope 3 emissions and if additional metrics can be sourced.

Our EcoVadis sustainability reassessment was completed in 2023, with Belmont green receiving a rating upgrade and being awarded a gold medal accreditation which puts us in the top 5% of companies which EcoVadis have assessed.

> "Our EcoVadis sustainability reassessment was completed in 2023, with Belmont green receiving a rating upgrade and being awarded a gold medal accreditation which puts us in the top 5% of companies which EcoVadis have assessed."

METRICS AND TARGETS

Under the Streamlined Energy and Carbon Reporting (SECR) framework, Belmont Green is required to disclose energy use and associated Greenhouse Gas (GHG) emissions from its activities. The reporting period is aligned with the financial year ended 31 December 2023 and covers Belmont Green and its subsidiaries. The methodology has been based on the UK government's GHG Conversion Factors published on www.gov.uk and, for mortgage properties, the information included in the property's Energy Performance Certificate. Calculations have been made for the reporting of:

- Fuel use for transport for business travel (scope 1).
- Electricity use within buildings (scope 2).
- Fuel use for transport for staff commuting (scope 3).
- Energy consumed by properties subject to our mortgages (scope 3).
- Indirect emissions through our supply chain (scope 3).

As part of our environmental strategy, we are committed to voluntarily reporting on scope 3 emissions and to improving the scope and accuracy of the data we publish each year, driving a better understanding of our emissions and informing the actions we are taking to reduce and mitigate their effects.

These figures are subject to a number of material estimates and uncertainties. In particular:

- GHG Conversion Factors provide a consistent approach to measuring emissions across different reporting firms; however it is based on various averages that may not apply to our specific emissions.
- Staff commuting and working from home emissions have been calculated based on a sample approach.
- Supplier emissions is based on expensed cost during the year, excluding rent and rates. It does not include capitalised expenses.
- The accuracy of supplier information is constrained by the level of public disclosures made by them; not all suppliers disclose their scope 3 emissions, disclosures are often aggregated across disparate business lines and geographical regions of the world and there is a lag with the publication of their disclosures. Estimates have been made wherever possible to ensure we provide the most accurate figures we are able.
- Information on property emissions is only available for 80% of our properties and therefore it has only been possible provide a broad estimate for the overall portfolio.
- Property emissions only includes mortgages that have been financed by Belmont Green and excludes those that have been sold either through asset sales or forward flow but are still serviced by Belmont Green.
- Energy use by source does not include mortgage properties as this data is not available.

Energy performance results			
Energy use by source	Units	2023	2022
Electricity	MWh	51	159
Transportation	MWh	75	158
Total		125	317

GHG emission results			
Emission by category	Units	2023	2022
Scope 1 - Combustion of fuel for transport	T CO_2 eq	6	23
Scope 2 - Purchased electricity	T CO_2 eq	10	31
Scope 3 - Transport (staff commuting)	T CO_2 eq	13	16
Scope 3 - Energy consumed by staff working from home	T CO_2 eq	109	114
Total operational emissions	T CO_2 eq	138	184
Scope 3 - Suppliers	T CO_2 eq	534	564
Scope 3 - Mortgage properties	T CO_2 eq	38,000	40,800
Total	T CO_2 eq	38,672	41,548

Intensity Ratio			
Emissions per employee (operational emissions)	T CO_2 eq	0.09	0.26
Emissions per employee (scope 1, 2 & 3)	T CO_2 eq	215	204

Our own energy use and associated GHG emissions decreased in 2023, reflecting the change of our intermediary support model from the traditional field-sales approach following the introduction of the V-Hub, and the move to our new smaller office in Egham.

Belmont Green recognises that as a responsible lender we can have a material impact on the energy use from properties subject to our mortgages including through our lending policies, product development and pricing. We will explore different options for monitoring this performance as part of our framework for managing their impact on climate change. We continue to monitor the consultations concerning the energy efficiency of domestic and non-domestic properties.

TARGETS

We have agreed a target to reduce our own scope 1 and 2 operational emissions by 50% from the 2019 baseline by 2030. Our strategy to achieve this reduction is to continue with our Agile Working Policy, ensuing that our business model uses the benefits of technology to enable effective working and communications without requiring significant travel.

In addition, in 2023 we targeted and maintained a stable average portfolio EPC rating.

INFORMATION PRESENTED IN OTHER SECTIONS

Information relating to a review of the business, future developments, results, people, corporate governance and principal risks and uncertainties is described in the Strategic Report. Belmont Green uses financial instruments to manage certain types of risk, including liquidity and interest rate risk. Further information about derivative financial instruments can be found in Note 10 to the financial statements.

POLITICAL DONATIONS

Belmont Green does not make contributions to political parties, organisations or individuals engaged in politics, to support a political party, election candidate, political cause or as a way of influencing or gaining business advantage.

GOING CONCERN

The financial statements have been prepared on a going concern basis. In evaluating the appropriateness of this basis, the directors are satisfied that Belmont Green has the resources to continue in business for the foreseeable future, covering a period of at least 12 months from the date of approval of the financial statements. In making this assessment, the directors have considered a range of information relating to present and future, internal and external conditions and, in particular, the potential impact of the economic environment upon the business and its operations, markets, liquidity, capital and profitability. All of these factors have been set out in Note 2b to the financial statements.

RESULTS

The statements of comprehensive income and the statements of financial position can be found on page 142 and 143 respectively. The directors do not propose to pay a dividend.

DIRECTORS

The directors of the Company are set out below. All directors served throughout the period and to the date of this report unless otherwise stated.

Alan Newton (resigned from the Board with effect from 28 February 2023)
Anthony Mooney
Carol Sergeant
Dana LaForge
Dr Peter Williams
Fraser McNeill
John Rowan
Robin Churchouse
Stephen Haggerty

AUDITOR

The directors who held office at the date of approval of this directors' report confirm that:

- as far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

The re-appointment of Deloitte LLP as auditor of the company is a matter reserved to the Board, on the recommendation of the Board Audit Committee.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors of Belmont Green are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

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

Approved by the Board of Directors and signed on behalf of the Board

Anthony Mooney
Director

18 June 2024
Company registration: 09837692

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- **the financial statements of Belmont Green Finance Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated statement of profit and loss and comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows;
- the related group notes 1 to 27; and
- the related parent company notes 28 to 38.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: • Expected credit losses on loans to customers; and • Revenue recognition. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
MATERIALITY	The materiality that we used for the group financial statements was £1.47m which was determined on the basis of 1% of shareholder's equity. In the prior year our basis was 1% of shareholder's equity excluding the cash flow hedge reserve. In the current year, we have not excluded the cash flow hedge reserve in light of potential volatility being mitigated by forecast profitability levels.
SCOPING	All material entities in the group were within our audit scope. These entities account for 100% of the group's net assets, 100% of the group's revenue, and 100% of the group's profit before tax.
SIGNIFICANT CHANGES IN OUR APPROACH	In the current year, we did not identify key audit matters relating to hedge accounting or going concern. The level of risk associated with hedge accounting has decreased in light of there being no issues noted in relation to the cashflow hedge which was introduced in the prior year for the new mortgage pipeline. Furthermore, the swap portfolio is now only made up of vanilla interest rate swaps with the more complex balance guarantee swaps being closed. Additionally, the level of risk associated to going concern has decreased from prior year due to a significant increase in profit after taxation and less uncertainty around the overall funding position in comparison to prior periods. The other key audit matters remain broadly consistent with the previous year.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- obtaining management's forecasts and scenario analyses and assessing the multiple funding levels required in each scenario;
- challenging key assumptions used in the forecasts based on historic trends and future outlook, including the impact of the current macro-economic uncertainty;
- testing the clerical accuracy of those forecasts and assessing the historical accuracy of forecasts prepared by management;
- assessing the intent and ability of the majority shareholder Pine Brook to continue to provide the capital required under management's forecasts;
- assessing the group's ability to obtain further funding through the warehouse facilities and securitisation funding during the going concern period, including the group's ability to refinance securitisations at the relevant call dates and rollover the existing external loan into the warehouse funding;
- evaluating the group's ability to meet the covenants under the warehouse facilities and securitisation special purpose vehicles ("SPVs") in a stressed scenario; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

5.1. EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

KEY AUDIT MATTER DESCRIPTION

Under IFRS 9 Financial instruments, a provision is required for the expected credit losses ("ECL") on loans measured at amortised cost. Estimating these expected losses requires judgement and estimation on assumptions relating to customer default rates, likelihood of repossession, future property values, forced sale discounts and indicators of significant increases in credit risk. These assumptions are informed using historical behaviour and experience through different economic cycles as well as credit bureau data. In the current economic environment there is an increasing level of model risk which is exacerbated for the group given its reliance on proxy data due to the business still being in its early stages.

The group applies four macroeconomic scenarios when determining the ECL calculation: a base case, an upside, a downside and a severe scenario. The selection and probability weighting of relevant macro-economic scenarios is judgemental and has a significant impact on the ECL calculation.

ECL provisions as at 31 December 2023 were £5.6m (2022: £5.9m) against total loans to customers of £1,699.1m (2022: £1,749.7m). In the current year, additional post model adjustments of £1.7m (2022: £2.3m) have been made to the ECL, to reflect additional exposures not captured by the core ECL model, including the potential increased risk of default arising from the challenges facing borrowers in the current economic environment.

Our key audit matters in relation to ECL have been identified as:

- the selection and probability weighting of relevant macro-economic scenarios and assumptions. There exists a risk of management bias in selecting the weightings and assumptions applied in the ECL model and a potential lack of consistency in approach when determining the weightings period on period; and
- the completeness and accuracy of post model adjustments to address risks that may not be reflected in the current ECL model.

Management's associated accounting policies are detailed in Note 2 with detail about the judgements in applying accounting policies and critical accounting estimates, in Note 3.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained an understanding of relevant controls that the group has in place to manage the risk of inappropriate assumptions being used within the ECL model. In conjunction with our credit risk specialists, we assessed the compliance of the modelling approach and methodology with the requirements of IFRS 9, including updates to the model that were made during the year, and to assess whether the documented modelled approach was compliant with IFRS 9 and implemented in practice. We challenged management's consideration of the future economic environment in conjunction with our economic specialists, by comparing modelled assumptions to publicly available data from peer organisations, regulators and economic commentators. We evaluated the completeness and accuracy of post model adjustments in light of relevant macro-economic factors, to assess whether all relevant risks were represented by these adjustments. We did this in conjunction with our credit risk specialists, and through benchmarking against peer entities. We reconciled each book to the general ledger and tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate. We also tested the accuracy and completeness of forecast data collated from third party sources. We validated that the underlying data feeding into management's calculations for post model adjustments was complete and accurate and challenged the key judgements and assumptions within the calculations, working with our credit risk specialists where appropriate.
KEY OBSERVATIONS	We concluded that management's view with regards to ECL and in particular the assumptions regarding macro-economic scenarios and post model adjustments was appropriate, with the overall ECL level being acceptable. Overall, we found the ECL model to be working as intended and consider ECL to be recorded in line with the requirements of IFRS 9.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

5.2. REVENUE RECOGNITION

KEY AUDIT MATTER DESCRIPTION	The effective interest rate ("EIR") methodology is consistent with prior year, calculating the EIR adjustment on a cohort level as opposed to a loan by loan basis for both interest and fees. The group recognised an EIR asset of £18.8m (2022: £18.2m). In accordance with IFRS 9, the revenue streams from financial products that are considered 'integral to the yield' must be recognised using the EIR over the behavioural life of the financial products. The judgements taken in estimating the cash flows which drive the expected lives used in the calculation of the EIR can be sensitive to change and could significantly impact the income recognised in any financial period. We have identified revenue recognised using the EIR method to be a key audit matter, in particular the derivation of the prepayment curves which determine the behavioural life of the loans and timing of the expected future cash flows. Given the material impact of the significant judgements in calculating the EIR adjustment, we consider that there is an inherent risk of potential fraud through manipulation of this balance. Management's associated accounting policies are detailed in Note 2 with detail about the judgements in applying accounting policies and critical accounting estimates, in Note 3.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained an understanding of relevant controls that the group has established in relation to the recognition of revenue on an EIR basis. We challenged the appropriateness of the behavioural lives adopted by management with reference to historical customer redemptions, having tested the accuracy and completeness of the underlying data. Additionally, we challenged any amendments made to the behavioural lives by management during the course of the year, based on the impact of product changes and recent customer redemption activity in light of the rising interest rate environment and economic uncertainty. In conjunction with our analytics and modelling specialists, we assessed the underlying code used to calculate the EIR adjustment and independently re-calculated the EIR model outputs. We assessed the treatment of fees and charges arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the group's EIR model.
KEY OBSERVATIONS	We concluded that the behavioural lives used within the group's revenue recognition process were reasonable and the EIR model was working as intended. We determined the accounting for interest income and the EIR asset to be appropriate and in line with the requirements of IFRS 9.

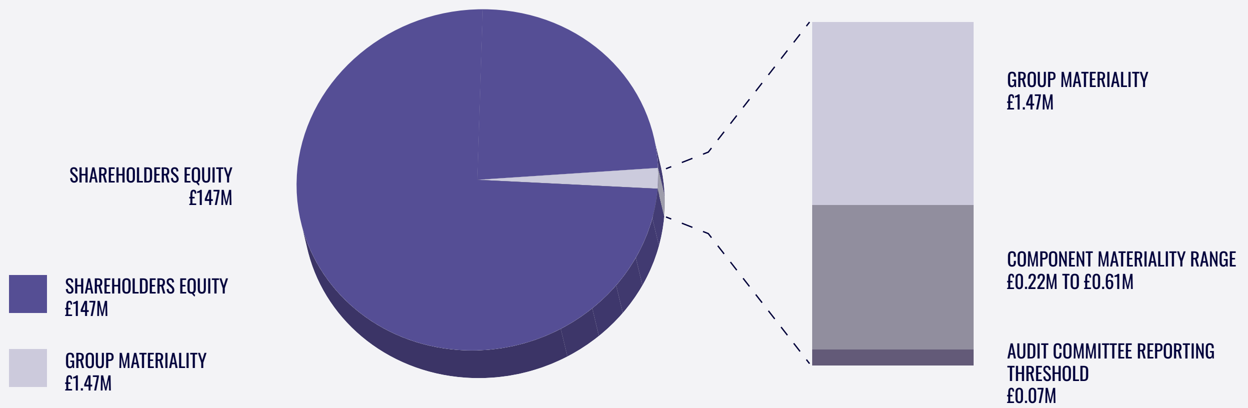
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
MATERIALITY	£1.47m (2022: £1.31m)	£0.61m (2022: £1.00m)
BASIS FOR DETERMINING MATERIALITY	1% of shareholder's equity (2022: 1% of shareholder's equity excluding the cash flow hedge reserve)	1% of shareholder's equity (2022: 1% of shareholder's equity)
RATIONALE FOR THE BENCHMARK APPLIED	Shareholder's equity is considered to be an appropriate basis for materiality given the overall capital base is a key focus area for the group's shareholders and for regulatory purposes. The group's strategy places high emphasis on the importance of a strong capital base, and shareholder's equity is considered to be a stable metric.	



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
PERFORMANCE MATERIALITY	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
BASIS AND RATIONALE FOR DETERMINING PERFORMANCE MATERIALITY	In determining performance materiality, we considered the following factors: a. the quality of the control environment and the fact that we were not able to rely on controls; b. our understanding of the business; and c. the nature, volume and size of corrected and uncorrected misstatements identified in the previous audit.	

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07m (2022: £0.07m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed by the group audit engagement team.

Based on that assessment, we performed an audit of the parent company and material subsidiaries. This provided 100% coverage of revenue, profit before tax and net assets of the group, executed at levels of materiality applicable to each individual entity which were lower than group materiality and in the range of £0.22m to £0.61m (2022: £0.34m to £1.00m).

At the group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining subsidiaries not subject to a full audit.

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

We have identified the lending business cycle to be the most relevant to the audit. In conjunction with our IT specialists, we have performed walkthroughs with management to gain an understanding of the underlying IT systems. The extent of controls work performed across the group varies depending on the maturity of the IT systems and controls. Through the process of understanding the systems and controls, we identified certain deficiencies, therefore have not taken controls reliance.
We have shared observations from our procedures with management and the Audit Committee. The assessment of the group's internal control environment is set out on page 108.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. The group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 42 to 55.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements.

We performed our own risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any additional risks of material misstatement.

In conjunction with our ESG specialists, we evaluated the sustainability disclosures included in the strategic report and considered whether the information is materially consistent with the financial statements and the knowledge obtained during the audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, economics, credit risk, analytics and modelling, financial instruments and IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition specifically in relation to effective interest rate adjustments and expected credit losses on loans to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory requirements set by the Financial Conduct Authority.

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified revenue recognition specifically in relation to effective interest rate adjustments and expected credit losses on loans to customers as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.
In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- **the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and**
- **the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.**

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

13.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

14. OTHER MATTERS

14.1. AUDITOR TENURE

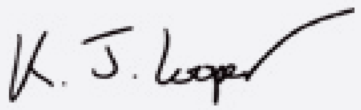
Following the recommendation of the Audit Committee, we were appointed by the directors during 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 December 2016 to 31 December 2023.

14.2. CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report we have provided to the Audit Committee.

15. USE OF OUR REPORT

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



Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
18 June 2024

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Interest income and similar income	4	144,373	99,941
Interest expense and similar charges	5	(110,660)	(57,037)
Net interest income		33,713	42,904
Other operating income / (expense)	6	920	(6,174)
Net fair value gain / (loss) on financial instruments	7	3,903	(706)
Net operating income		38,536	36,024
Administrative expenses	8	(32,438)	(35,502)
Operating profit before impairment and provisions		6,098	522
Provisions	21	-	310
Impairment releases and (losses)	14	(55)	543
Profit before taxation		6,043	1,375
Tax (charge) / credit for the year	9	25	609
Profit after taxation		6,068	1,984
Other comprehensive income			
Cash flow hedge reserve (losses) / gains	12	(10,468)	16,864
Total comprehensive (loss) / profit for the year		(4,400)	18,848

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Assets			
Cash and cash equivalents	24	176,633	171,809
Loans to customers	13	1,688,338	1,685,600
Derivative financial instruments	10	49,350	89,079
Other receivables	15	21,113	16,298
Deferred taxation asset	16	13,565	13,565
Property, plant and equipment	17	401	965
Intangible assets	18	2,704	2,837
Corporation tax		-	12
Total assets		1,952,104	1,980,165
Liabilities			
Amounts owed to credit institutions	11	44,437	15,188
Debt securities in issue	19	1,676,909	1,748,523
Derivative financial liabilities	10	10,730	233
Other liabilities	20	73,364	65,170
Provisions	21	64	64
Corporation tax		13	-
Total liabilities		1,805,517	1,829,178
Shareholders' Equity			
Share capital	22	204,462	204,462
Other reserves	12	6,396	16,864
Retained losses		(64,271)	(70,339)
Total shareholders' equity		146,587	150,987
Total liabilities and equity		1,952,104	1,980,165

The notes on pages 144 to 184 form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 June 2024 and signed on behalf of the Board.

Anthony Mooney

Company registration: 09837692

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital	Retained earnings	Other Reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2023	204,462	(70,339)	16,864	150,987
Profit for the year	-	6,068	-	6,068
Amounts deferred to cash flow hedge reserve net of tax	-	-	(10,468)	(10,468)
Total comprehensive income	-	6,068	(10,468)	(4,400)
Balance at 31 December 2023	204,462	(64,271)	6,396	146,587
Balance at 1 January 2022	204,462	(72,323)	-	132,139
Profit for the year	-	1,984	-	1,984
Amounts deferred to cash flow hedge reserve	-	-	16,864	16,864
Total comprehensive income	-	1,984	16,864	18,848
Balance at 31 December 2022	204,462	(70,339)	16,864	150,987

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023	2022
		£'000	£'000
Net cash flows from operating activities	**25**	**77,559**	**68,297**
Purchase of property, plant and equipment	17	(24)	(131)
Expenditure on software development	18	(674)	(1,040)
Net cash flows from investing activities		**(698)**	**(1,171)**
Proceeds from loan note issuance		124,941	313,419
Repayment of loan notes		(196,557)	(348,561)
Interest on loan		36	9
Repayment of lease liabilities		(457)	(1,361)
Net cash flows from financing activities		(72,037)	(36,494)
Net increase in cash and cash equivalents		4,824	30,632
Cash and cash equivalents at 1 January		171,809	141,177
Cash and cash equivalents at 31 December		**176,633**	**171,809**

1. GENERAL INFORMATION

Belmont Green Finance Limited (the "Company") is a private limited company incorporated and registered in the United Kingdom. It is registered in England and Wales under the Companies Act 2006 with company number 09837692 and is limited by its shares. The Company's registered address is 1 Battle Bridge Lane, London, United Kingdom, SE1 2HP.

The principal activities of the Group and the nature of the Group's operations are set out in the strategic report on pages 6 to 85.

The financial statements are presented in pounds sterling (£), the functional and presentational currency for the Group, and are rounded to the nearest thousand (£'000) unless otherwise stated.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements of the Group are set out below.

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom. The financial statements have been prepared under the historic cost basis except for certain financial instruments which are detailed in note (k) below.

(B) GOING CONCERN

The financial statements have been prepared on a going concern basis, with the directors having made an assessment that this is appropriate. This assessment has been based upon a thorough review of a wide range of information relating to present and future, internal and external conditions and, in particular, the potential impact of the economic environment upon the Group and its operations, markets, liquidity, capital and profitability. More specifically, but not exhaustively, the directors have considered the matters set out below.

- The status of the Group's banking licence application and an assessment of:
  - The capital and liquidity constraints that will be in place when operating as a bank on the basis approval is received by the date assumed in the Group's financial and operating plans.
  - The impact of receiving approval from the regulators at a later date than that assumed in the Group's financial and operating plans.
  - The impact of the Group's application not receiving approval from the regulators.
- The Group's forecast funding and liquidity resources have been considered in the light of conditions within wholesale funding markets. Scenarios examining the potential periods to banking licence approval and the scenario in which approval to operate as a bank is not received in the 12-month period from the approval of these financial statements have been considered. The directors are confident that BGFL is able to execute its funding plans for the foreseeable future within the wholesale funding markets and continue operating in the event of an extended closure of the funding markets and in the event that banking licence approval is not received.

  Forecast arrears levels resulting from a more pessimistic view of the impact of higher interest rates and cost-of-living increases. The impact of these arrears levels on the forecast cash flows within the securitisation structures was assessed along with limits on warehouse facility arrears levels and other loan covenants.
- The Group's forecast profitability over the 12-month period from approval of the financial statements. The Group is forecast to continue to be profitable during 2024 and beyond and relevant covenants are forecast to be complied with.
- All of the above considerations have been used to estimate the potential impact on capital contributions from Pine Brook, the Group's private equity investor. Pine Brook remains committed to its long-term investment in the Group.
- The operational resilience of the Group's critical functions, including its outsourced customer servicing operations, its ability to handle increased levels of customer arrears and its IT systems.

(C) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of the Company, its subsidiaries and other structured entities which are controlled by the Company (jointly referred to as the Group). The Group assesses whether it controls its subsidiaries and structured entities and the requirement to consolidate them under the criteria of IFRS 10. These entities are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Upon consolidation intercompany transactions and balances are eliminated. Accounting policies are applied consistently across the Group.

Control is achieved over subsidiaries and structured entities when the Company:

- **has power over an entity;**
- **is exposed, or has rights, to variable returns from its involvement with the entity; and**
- **has the ability to use its power over the entity to affect the amount of the Group's returns.**

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Company re-assesses whether it still controls the entity. The Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying mortgage assets through its continued subordinated investment in the securitisation structures. Where the Group does not retain a direct ownership interest in a securitisation entity, but it has been determined based on the above criteria that the Group controls those entities they are treated as subsidiaries and included in the basis of consolidation.

(D) OPERATING SEGMENTS

The Group is outside the scope of IFRS 8, Operating Segments, and accordingly does not disclose segment information in these financial statements.

(E) INTEREST INCOME AND EXPENSE

Interest income and interest expense for all interest-bearing financial instruments measured at amortised cost are recognised in the statement of comprehensive income using the effective interest rate (EIR) method, under IFRS 9 (Financial Instruments: recognition and measurement). This method calculates the amortised cost of the financial asset or liability and allocates the interest income or expense over the relevant period. The EIR is the rate which discounts the expected future cash flows, over the expected life of the financial instrument to the net carrying amount of a financial asset or liability.

In calculating the EIR, the Group estimates the cash flows considering all contractual terms of the instrument but not future credit losses. The calculation of EIR includes all amounts received or paid by the Group that are an integral part of the overall return, comprising of the incremental transaction costs to acquisition or issue of the financial instrument.

Interest income and expense on derivatives designated as hedging instruments are recognised as part of net interest income and are recorded as a reduction to gross interest derived using the effective EIR method on the related hedged asset or liability.

During the year, £5,100k was reclassified to 'Interest Income' from 'Net Fair Value Gain / (Loss)' in relation to the amortisation of accumulated fair value changes on hedging instruments up to the de-designation date under the cash flow hedging model. This is a change in the year to more accurately present the movements in fair value of the hedging instruments as a result of interest rate risk hedging up until the point of the completion of the mortgages. There was no prior year re-statement as the Group only started the application of cash flow hedge accounting in June 2022 and its associated impacts to the financial statements was assessed to be not material.

(F) FEES

Fee income is included in interest income and similar income and fee expense in interest expense and similar charges. Fees that are an integral part of the effective interest rate of a financial instrument are recognised using the EIR method with the fees deferred and recognised over the expected life of the instrument. Fees that are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided.

(G) TAXATION

Income tax on the profit or loss comprises current tax and deferred tax. Income tax is recognised in profit or loss, other comprehensive income or directly in equity, consistently with the recognition of items it relates to.

Current tax is the expected tax charge or credit on the taxable profit or loss for the year and any adjustments in respect of the previous years. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in future years and it further excludes items of income and expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

(H) CASH AND CASH EQUIVALENTS

Cash in the statement of financial position comprises cash at banks with a maturity of three months or less, which is subject to an insignificant risk of change in value.

(I) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

- **Leasehold improvements and furniture** 5 years
- **Computer equipment** 3 years

All items of property, plant and equipment are reviewed for indications of impairment annually and, if they are considered to be impaired, are written down to their recoverable amounts. The cost of repairs and renewals is charged to profit or loss in the period in which the expenditure is incurred.

(J) INTANGIBLE ASSETS

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is a unique and identifiable asset controlled by the Group and will generate future economic benefits.

Costs to establish technological feasibility or to maintain existing levels of performance are recognised as an expense. The Group only recognises internally generated intangible assets if all of the following conditions are met:

- **an asset is being created that can be identified after establishing the technical and commercial feasibility of the resulting product;**
- **it is probable that the asset created will generate future economic benefits; and**
- **the development cost of the asset can be measured reliably.**

Subsequent expenditure on an internally generated intangible asset, after its purchase or completion, is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are reviewed for impairment annually and, if they are considered to be impaired, are written down immediately to their recoverable amounts.

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

- **Core software systems** — **5 years**
- **Non-core software systems** — **3 years**

For development costs that are under construction, no amortisation will be applied until the asset is available for use and is calculated using a full month when available for use.

The Group reviews the amortisation period on an annual basis. If the expected useful life of assets is different from previous assessments, the amortisation period is changed accordingly.

(K) FINANCIAL INSTRUMENTS

Classification and measurement
The Group classifies financial instruments based on the business model and the contractual cash flow characteristics of the financial instruments. Under IFRS 9, financial assets are measured in the following way:

- **Amortised Cost - Financial assets, predominantly mortgage loans to customers, that are held to collect contractual cash flows where the cash flows represent solely payments of principal and interest are measured at amortised cost.**
- **Fair value through profit or loss (FVTPL) - Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or where they are designated at fair value through profit or loss to reduce an accounting mismatch. All derivatives are carried at fair value through profit or loss.**

The Group classifies non-derivative financial liabilities as measured at amortised cost. The Group has no financial assets or liabilities classified as held for trading.

Recognition
The Group initially recognises loans and advances to customers and debt securities in issue when the Group becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on trade date, being the date the Group is committed to purchase or sell an asset.

On initial recognition, financial assets and liabilities are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether cash flows represent solely payments of principal and interest.

Derecognition
The Group derecognises financial assets when the contractual right to receive cash flows expires or is transferred, or the Group transfers substantially all the risks and rewards of ownership of the financial asset.

At the point at which the Group sells any mortgage loans under forward flow agreements it would expect to derecognise these financial assets.

Financial liabilities are derecognised only when the obligation is discharged, cancelled or has expired.

Amortised cost measurement
Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to that asset. Subsequently, they are measured at amortised cost using the EIR method, less impairment losses. Borrowings, predominately debt securities in issue, are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the EIR method.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is measured at a specific date and may be significantly different from the amount which will be paid or received on maturity or settlement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-observable inputs.

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Group does not hold any financial instruments falling within level 1 of the hierarchy.

Level 2
Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these valuation techniques use inputs that are based significantly on observable market data.

Level 3
Level 3 valuations are those where at least one input which could have a significant effect on the instruments' valuation is not based on observable market data. Such instruments would include the Group's loans to customers as their valuation uses unobservable inputs on collectability rates and redemption profiles.

The Group values loans to customers and debt securities in issue using level 3 valuation techniques. Loans to customers fair value is measured using modelled receipts of interest and principal which are discounted at market rates. The fair value of issued debt securities is calculated using modelled payments of interest and principal discounted at market rates for similar instruments.

The fair values of derivative financial instruments, interest rate swaps, are calculated by discounting cash flows using appropriate observable market data. As such these instruments fall within level 2 of the hierarchy.

(L) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets that are not measured at fair value through profit or loss.

For loans to customers, accounts are assigned to one of three stages which are intended to reflect the deterioration in credit quality. BGFL's Definition of Default is aligned with Stage 3 and defines an account in default as one that is equal to or more than 3 months in arrears on its contractual payments or those cases deemed to be fraud.

- **Stage 1 comprises mortgages that have shown no significant increase in credit risk (SICR) since origination. They carry an impairment provision equivalent to the ECL from those default events that are projected within 12 months of the reporting date (12-month ECL).**

- **Stage 2 comprises mortgages that have shown a SICR since origination including mortgages that are subject to forbearance measures such as financial and non-financial arrangements. Probabilities of Default (PD) are calculated using a statistical model based on both internal and external credit bureau data. A SICR is determined either where the PD has increased more than a set threshold or where the mortgage is more than one month in arrears. The impairment provision for Stage 2 mortgages is based on the ECL over the lifetime of the mortgage (lifetime ECL).**

- **Stage 3 comprises mortgages where there is objective evidence that it is credit impaired. A loan is determined to be credit impaired where it is more than three months in arrears, has been renegotiated for credit risk reasons or is in default, including possession. An impairment provision is calculated for Stage 3 mortgages based on the lifetime ECL, but with a PD of 100%.**

ECLs are calculated at individual loan level, with the calculations having three main components: PD, loss given default (LGD) and exposure at default (EAD). The LGD represents losses expected on default, given the probability of a loan moving from default to possession, the estimated recovery in the event of possession, costs incurred in the possession and sale of security and discounting of recoveries to present value based on the time to sale. The EAD represents the expected balance at the time of default, using the contractual amortisation of the loan equivalent to the account balance at default with three months of non-payment and the associated accrued interest. IFRS 9 requires the estimates of PD and LGD to take into consideration the effects of variations in forward-looking macroeconomic variables, which include house prices, unemployment and interest rates.

The Group integrates probability-weighted macroeconomic forecasts into individual ECL calculations. The Group does not have an in-house economics function and sources economic forecasts from an appropriately qualified third party. The Group considers up to four macroeconomic forecast scenarios – base, downside, upside and severe.

Loans are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is after receipt of any proceeds from the realisation of security.

(M) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk arising from operational and financing activities. The derivative financial instruments are held solely for hedging purposes and are measured and held at fair value within the Statement of Financial Position. The group has elected to adopt and continues to apply the hedge accounting requirements of IFRS 9 for all hedge relationships covered by those requirements. In line with accounting standards, the changes in fair value of derivatives used to hedge particular risks can either be offset in the Income Statement or deferred to equity. The Group does not hold or issue derivative financial instruments for proprietary trading purpose.

(N) HEDGE ACCOUNTING

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships.

Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or a portfolio of such instruments. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flows of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life at least at every reporting period and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, its hedging relationship is terminated and hedge accounting is discontinued.

There are two types of hedge accounting strategies that the Group undertakes, and these are summarized below:

Fair value hedges - Where the Group uses derivatives to hedge the interest rate risk that arises from fixed rate loans. Changes in the fair value of derivatives that are designated and qualified as fair value hedging instrument are recorded in the income statement, together with the change in the fair value of the hedged asset or liability that are attributable to the hedged risk, providing there is an effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated and the changes in the fair value of the hedge item attributable to the hedged risk are no longer recognised in the income statement. The cumulative adjustment that has been made to the carrying amount of the hedged item is amortised to the income statement.

Cash flow hedges – Where the Group uses derivatives to hedge the interest rate risk that arises from the mortgage application pipeline and from irrevocable offers to lend. This exposes the Group to movements in the fair value of derivatives until the loan is drawn. The effective portion of accumulated changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement in the interest income or expense through amortisation until its maturity. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group considers the following as key sources of hedge ineffectiveness:

- **the mismatch in maturity date of the swap and hedge item, as swaps with a given maturity date cover a portfolio of hedged items which may mature throughout the month; and**

- **the actual behaviour of the hedged item differing from expectations, such as early repayment.**

(O) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' most reliable estimate of the expenditure required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

(P) EMPLOYEE BENEFITS – DEFINED CONTRIBUTION SCHEME

During the period the Group operated a defined contribution pension. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contribution payable to the scheme in respect of the accounting period.

(Q) SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(R) WAREHOUSE AND SECURITISATION STRUCTURES

Warehouse facilities
The Group has committed warehouse facilities to provide short-term funding for originated loans prior to transferring them to securitisation vehicles. The fees incurred in setting up and making amendments to these facilities are deferred and amortised over one or two years dependent upon the nature of the costs and any subsequent renewal costs over one year to reflect the rolling renewal nature of the facilities. These costs are included in deferred deal costs in note 15.

The Group has an uncommitted warehouse facility. Given the facility's nature the warehouse provider is not obliged to fund originations at any point. The set-up costs of the uncommitted facility have been written off when incurred rather than being amortised over the potential life of the facility agreement.

Securitisation structures
At 31 December 2023, the Group had five securitisation structures: Tower Bridge Funding 2021-1 PLC, Tower Bridge Funding 2021-2 PLC and Tower Bridge Funding 2022-1 PLC, Tower Bridge Funding 2023-1 PLC and Tower Bridge Funding 2023-2 PLC. The Group has retained the risks and rewards of ownership in respect of the loans transferred to these special purpose vehicles and they, therefore, fail the derecognition criteria and are included in the Group's financial statements.

Whilst the special purpose vehicles have been consolidated as 100% subsidiaries, the mortgage loans included within the deal structures are ring-fenced, with the cash flows being used to repay liabilities in line with the priority of payments set out in the relevant deal documentation. For Tower Bridge Funding 2021-1 PLC and Tower Bridge Funding 2021-2 PLC the senior debt is held externally with the junior debt and residual certificates retained by the Group. Tower Bridge Funding 2022-1 PLC, Tower Bridge Funding 2023-1 PLC and Tower Bridge Funding 2023-2 PLC were structured with vertical risk retention with 95% of the notes being held externally and the Group holding 5% of the notes and 100% of the residual certificates. The Group statement of financial position shows externally held notes as debt securities in issue.

The amortisation period of set-up costs for the securitisation structures reflects the period to the term of the first call. These costs are included in deferred deal costs in note 15.

(S) LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the net present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that depend on an index or rate, the amount expected to be payable by the lessee under residual value guarantees; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the EIR method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- **The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.**

- **The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.**

- **A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient.

(T) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

During the year, there was a change in accounting policy in relation to the presentation of the amortisation of the accumulated fair value changes recognised by the hedging instruments' up to the de-designation date under the cash flow model in the Income Statement. The cash flow hedge amortisation income was reclassified in the Income Statement from 'Net Fair Value Gain / (Loss)' to 'Interest Income or Expense'. This change in presentation means that the mortgage product margin at the point at which products are priced ultimately is presented within the 'Net Interest Income' line. There was no prior year re-statement as the Group only started the application of Cash Flow Hedge Accounting from June 2022 and its associated impacts to the financial statements was assessed to be not material.

NEW AND REVISED IFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the group in future periods.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out below.

i. Impairment of loans
Significant increase in credit risk for transfer to stage 2
The Group's criteria for transferring loans from stage 1 to stage 2 are set by reference to thresholds for relative changes in the PD of loans compared to the PD at their origination and by the application of qualitative measures which, if triggered, will move a loan from stage 1 to stage 2. Setting the thresholds for transferring loans to stage 2 is a key area of judgement.

LGD model
The Group's LGD model uses estimates including propensity to go to possession given default, time to sale, forced sale discount and costs of sale. The factor that has the largest impact on LGD is the house price index (HPI), with assumptions being set out in the table in the forward-looking macroeconomic scenarios section below.

Forward-looking macroeconomic scenarios
The calculation of PDs and LGDs requires the use of forward-looking estimates of macroeconomic conditions. The ECL calculations are sensitive to both the assumed forecast macroeconomic variables and the probability weightings assigned to the forecast scenarios. The ECLs calculated utilise economic forecasts that were considered to be appropriate at 31 December 2023. However, given the uncertainty over the path of the economy, the scenarios and their weightings are subject to a significant degree of estimation.

In setting the economic forecasts, the Board has had regard to the forecasts produced by the firm that gives economic advice as well as forecasts published by the Bank of England and Office for Budget Responsibility. The Board has continued to allocate a broad distribution of weightings to the scenarios, but has reallocated 10% of the weighting from the downside to the base to give weightings of 50% base, 30% downside, 10% upside, 10% severe (2022: 40% base, 40% downside, 10% upside, 10% severe).

These weightings continue to reflect the level of uncertainty in the economic outlook at the end of 2023.

The following table provides details of the forecast economic variables of each of the four forecast scenarios:

		2024	2025	2026
Variable	Scenario	%	%	%
GDP	Base	0.6	2.0	1.6
(year-on-year)	Downside	-2.4	1.6	1.4
	Upside	6.0	3.5	2.7
	Severe	-6.2	0.8	0.9
Unemployment	Base	4.5	4.2	4.0
(end-of-year rate)	Downside	5.7	6.6	7.0
	Upside	3.3	2.5	2.3
	Severe	6.1	7.1	7.5
Inflation	Base	2.7	1.5	1.6
(year-on-year)	Downside	1.4	0.8	1.4
	Upside	4.8	3.0	1.9
	Severe	0.0	0.1	1.3
Bank Rate	Base	4.75	3.75	2.75
(end-of-year rate)	Downside	4.00	3.00	2.00
	Upside	6.25	5.50	4.50
	Severe	3.25	1.75	0.75
HPI	Base	-5.9	0.4	4.3
(year-on-year)	Downside	-10.1	-2.9	1.0
	Upside	0.2	4.2	8.5
	Severe	-15.0	-7.0	-3.7

The table below illustrates the ECLs calculated using 100% weighting to each scenario compared to the ECL calculated using the scenario weightings. The provision coverage has been calculated as the total ECL provision as a percentage of gross loans to customers.

	2023			2022		
	Weight	ECL £'000	Prov'n Coverage	Weight	ECL £'000	Prov'n Coverage
Weighted	-	5,589	0.33%	-	5,925	0.34%
Base	50%	4,432	0.26%	40%	4,598	0.26%
Downside	30%	6,736	0.40%	40%	6,868	0.39%
Upside	10%	2,740	0.16%	10%	2,212	0.13%
Severe	10%	10,783	0.64%	10%	11,176	0.64%

The calculation of ECLs is most sensitive to the forecast HPI movement assumptions. The probability-weighted forecast movement in HPI ranges between -7.4% in 2024 and +3.0% in 2026. As an indication of sensitivity, a 2.0% absolute increase or decrease in the probability weighted HPI assumption would decrease ECLs by approximately £349k or increase them by approximately £399k respectively (2022: £169k decrease or £278k increase).

The impact of applying multiple economic scenarios gives rise to a probability weighted ECL of £5,589k, 26.1% more than the provision of £4,432k calculated using the base scenario. By comparison, in 2022 the probability weighted ECL was 28.9% more than the base case ECL.

Post-model adjustments (PMAs)
PMAs are adjustments made outside of models to correct known data or model limitations. PMAs can also be judgmental, especially when addressing new risks or uncertainties that were not designed to be captured by the model when it was developed. Given continued economic uncertainty and other external factors affecting the loan book, PMAs have been applied in 2023, as they were in 2022, in the calculation of ECLs. In total, £1,696k of PMAs have been applied on a probability-weighted basis at 31 December 2023 (2022: £2,349k) and are included in the total provision of £5,589k (2022: £5,925k). A summary of the largest PMAs and a table showing the split of PMAs is set out in the paragraphs that follow.

Provision PMAs (split below)	2022	2023	Movement
Affordability	1,018	542	(476)
Cladding	394	356	(38)
Time to scale	-	583	583
EPC Energy Certificate	751	-	(751)
Later Life Lending / Lending into Retirement	187	39	(148)
Expected losses on Repossessions	-	176	176
Total	2,349	1,696	(653)

Inflation has continued to be a theme in 2023, increasing the cost-of-living and putting pressure on customers' ability to meet their mortgage payments. As mortgage arrears have increased as the loan book continues to season a PMA has been applied to cater for the risk that inflation has impacted the affordability of mortgage payments that has not been captured by the ECL model.

The PMA has been applied to both the BTL and owner-occupied books and has considered affordability of payments when customers' fixed rate periods come to an end. Assumptions regarding customers' income, outgoings or, in the case of a BTL customer, interest coverage ratio have been made. As a result, a PMA of £542k has been made (2022: £1,018k).

In 2022, this PMA allocated customers in Stage 1 who failed stressed affordability tests to Stage 2 and an assumption was made that all accounts on a fixed rate would revert to a margin above Vida Variable Rate at the end of their fixed term. For 2023, revert rates have been recalculated using forward-looking forecasts of the Bank Rate which ensures a more accurate estimation of each individual account's revert rate at the point of switch. In addition, the PMA no longer has an additional stress to the revert rates as in the current environment the forecast direction of travel of the interest rate curve is downwards.

The Group has in the past lent to customers that are impacted by the cladding regulations now in place for blocks of flats. The Group amended its lending policy in 2020 to ensure that its exposure to properties that required cladding rectification works did not increase. Measures were introduced by the government with the Building Safety Act 2022 to provide support for owner-occupied flats in blocks of more than 11 metres in height but provided no support for owner-occupied flats in blocks of less than 11 metres or for Buy-to-Let flats.

An additional provision has been made for the Group's exposure to loans where the underlying property provided as security requires rectification work to meet cladding regulations, and where no support is provided by the government. The PMA has been estimated by using a stressed forced sale discount and a longer time to sale assumption in calculating a loss given default and an increased probability of default for those accounts in arrears. An additional provision of £356k has been made (2022: £394k).

NOTES TO THE FINANCIAL STATEMENTS

The calculation of Loss Given Default uses a time-to-sale assumption that is defined as the time between a loan going into default and the sale of the property securing the loan. As BGFL did not have sufficient observations of default and/or repossessed loans at the time the IFRS 9 models were developed, the time-to-sale assumption was estimated as 14 months based upon expert judgement and industry benchmarking. Based upon observation of the loan book and length of time to repossession sale in the current economic environment, the assumptions have been amended to 24 months for the owner-occupied book and 18 months for the Buy-to-Let book. These updated assumptions have been made outside of the IFRS 9 model via a PMA of £583k (2022: £nil).

ii. Effective interest rate
Estimates are made when calculating the EIR for loans to customers. The critical estimates in the EIR calculation are expected lives of loans and the assumed reversionary rates at the end of fixed rate periods. Bringing forward future reversionary rate income and spreading upfront fees received and paid creates assets and liabilities in the statement of financial position. These estimates are monitored to ensure their ongoing appropriateness.

Management and the Board have reviewed the prepayment behaviour of the individual cohorts within the Belmont Green book against that modelled in the EIR calculations. Overall, they were satisfied that modelled expected loan lives were appropriate.

iii. Deferred tax asset recognition
The Group has unused tax losses that have been recognised as a deferred tax asset in the statement of financial position at 31 December 2023. This asset has been recognised on the basis that the directors believe it is probable that future taxable profits will be generated against which those tax losses can be utilised. The main assumption that the directors have placed reliance upon is the forecast growth of the Belmont Green business that will generate profits in future years. The directors have reviewed the forecast future profit performance of the Group, including the underlying assumptions of that forecast. Further information about the estimates used to determine the size of the recognised deferred tax asset based are disclosed in Note 16.

Since the 2022 financial year end, the directors have recognised tax losses that are forecast to be recoverable within five years (2022: five years) which has led to a deferred tax asset at 31 December 2023 of £13.6m (2022: £13.6m).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2023	2022
	£'000	£'000
On financial assets held at amortised cost:		
Interest income on loans and advances to customers	96,872	94,539
On financial instruments held at FVTPL:		
Net income / (expense) on derivative financial instruments	47,501	5,402
	144,373	99,941

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2023	2022
	£'000	£'000
Interest expense and other charges	110,640	56,893
Interest on lease liabilities	12	24
IFRS16 interest adjustment for variable lease components	8	120
	110,660	57,037

6. OTHER OPERATING INCOME

	2023	2022
	£'000	£'000
Gain / (loss) on purchase/ (disposal) of loan portfolio	28	(9,582)
Forward flow (expense) / income	(137)	2,926
Income from product switch fees	16	-
Income from servicing	1,013	482
	920	(6,174)

NOTES TO THE FINANCIAL STATEMENTS

7. NET GAIN/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	£'000	£'000
Net (loss) / gain on derivative financial instruments	(47,862)	62,495
Net gain/(loss) on assets held in fair value hedges	51,765	(63,201)
	3,903	(706)

8. ADMINISTRATIVE EXPENSES

	2023	2022
	£'000	£'000
Staff costs	18,576	20,224
Auditor's remuneration:		
Audit of the company and consolidated financial statements	360	360
Audit of the company's subsidiaries	335	240
Internal audit related assurance services	270	164
Lease commitment under IFRS 16	360	1,180
Operating lease rentals	131	92
Other administrative costs	12,406	13,242
Total	32,438	35,502

8. ADMINISTRATIVE EXPENSES CONTINUED >>>

STAFF COSTS

The aggregate remuneration of staff, including Executive Directors, for the Group and Company comprised:

	2023	2022
	£'000	£'000
Wages and salaries	15,323	16,075
Social security costs	1,967	2,139
Pension costs	984	1,001
Termination costs	302	1,009
Total	18,576	20,224

The average monthly number of people employed by the Group and Company (including Executive Directors) during the year is analysed below:

	2023	2022
Executive	8	8
Business and customer operations	102	128
Administration	47	52
Technology	18	19
Total	175	207

The total amount for directors' remuneration comprised:

	2023	2022
	£'000	£'000
Wages and salaries	1,960	1,713
Social security costs	265	259
Pension costs	8	3
Total	2,233	1,975

There was one director in the company's defined contribution pension scheme during the year (2022: nil). The total amount payable to the highest paid director in respect of emoluments was £873k (2022: £970k).

9. TAXATION

	2023	2022
Corporation tax	£'000	£'000
Current year charge	(18)	(13)
Adjustments in respect of prior year	43	31
Deferred tax		
Current year credit	9,451	4,950
Adjustment in respect of prior periods	-	(330)
Effect of changes in tax rate	594	836
Deferred tax asset not recognised	(10,045)	(4,865)
Total tax credit	25	609
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	6,043	1,375
Tax at UK corporation tax rate of 19% (2021:19%)	(1,421)	(261)
Effects of:		
Adjustments in respect of prior year	43	(299)
Non-deductible expenses	(37)	(3)
Effect of tax rate change	594	836
Exempt amounts	10,891	5,201
Deferred tax asset not recognised	(10,045)	(4,865)
Tax credit on loss on ordinary activities	25	609

For an explanation of the deferred tax asset that has not been recognised refer to note 16.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values and notional amounts of derivative instruments held are set out in the following table:

2023 Instrument type	Notional amount £'000	Asset carrying value £'000	Liability carrying value £'000
Interest rate – not in hedging relationship	-	-	-
Interest rate – fair value hedges	1,531,227	49,289	3,765
Interest rate – cash flow hedges	224,763	61	6,965
Total derivatives held for hedging purposes	1,755,990	49,350	10,730

2022 Instrument type	Notional amount £'000	Asset carrying value £'000	Liability carrying value £'000
Interest rate - not in hedging relationship	-	-	-
Interest rate - fair value hedges	1,448,185	77,012	94
Interest rate – cash flow hedges	263,095	12,067	139
Total derivatives held for hedging purposes	1,711,280	89,079	233

£1,531m (2022: £1,448m) of derivative instruments were designated in fair value hedge accounting relationships, where the hedged item notional amount was £1,531m (2022: £1,448m), thus maintaining a hedge ratio of 1:1.

The carrying amount of the Group's hedging instruments were as follows:

	Notional amount of hedging instrument	Carrying amount of the hedging instrument		Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
31 December 2023	£'000	£'000	£'000	£'000
Fair value hedges				
Interest rate swaps	1,531,227	49,289	3,765	(55,398)
Cash flow hedges				
Interest rate swaps	224,763	61	6,966	(11,975)

	Contract/notional amount	Carrying amount of the hedging instrument		Changes in fair value used for calculating hedge ineffectiveness
		Assets	Liabilities	
31 December 2022	£'000	£'000	£'000	£'000
Fair value hedges				
Interest rate swaps	1,448,185	77,012	94	69,545
Cash flow hedges				
Interest rate swaps	263,095	12,067	139	11,844

The carrying amount of the Group's hedged items were as follows:

	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustment on the hedge item	Change in fair value of hedged item in the year used for ineffectiveness measurement
	Assets	**Liabilities**		
31 December 2023	£'000	£'000	£'000	£'000
Fair value hedges				
Interest rate				
Fixed rate mortgages[1]	1,531,227	-	(23,933)	55,807
31 December 2022				
Fair value hedges				
Interest rate				
Fixed rate mortgages[1]	1,448,185	-	(76,396)	(63,442)

The hedged item for fair value hedges represents the portfolio of fixed rate mortgages and the change in fair value of the hedged item has been presented as a fair value adjustment for hedged risk within assets.

	Change in fair value of hedged item in the year used for ineffectiveness measurement	Cash flow hedge reserve	
		Continuing hedges	**Discontinued Hedges**
31 December 2023	£'000	£'000	£'000
Cash flow hedges			
Interest rate	12,280	(7,007)	13,403

	Change in fair value of hedged item in the year used for ineffectiveness measurement	Cash flow hedge reserve	
		Continuing hedges	**Discontinued Hedges**
31 December 2022	£'000	£'000	£'000
Cash flow hedges			
Interest rate	(16,864)	4,964	11,900

The hedged items for the cash flow hedge are the highly probable cash flows on issued floating rate notes. The effective portion of the change in fair value is deferred to the cash flow hedge reserve. The table above shows the amounts transferred to the cash flow hedge reserve and the breakdown between the live and discontinued hedges in the cash flow hedge reserve.

[1] Included within loans to customers

The Group holds derivatives to manage and hedge the Group's risk arising from financial markets. The Group has entered into interest rate swaps to reduce the risk of loss from movements in interest rates. The Group manages this exposure by hedging 100% of its fixed rate mortgage loan exposure through a combination of vanilla interest rate swaps and forward starting interest rate swaps. It has established hedge accounting relationships for interest rate risk using portfolio fair value hedges.

Hedge ineffectiveness arises during the management of interest rate risk due to residual unhedged risk. Sources of ineffectiveness, which the Group may decide to not fully mitigate, can include basis differences, timing differences and notional amount differences. The effectiveness of accounting hedge relationships is assessed between the hedging derivatives and the documented hedged item, which can differ from the underlying economically hedged item.

Interest rate swaps are classified as level 2 financial instruments in the fair value hierarchy.

The following tables show derivative notional amounts in the relevant maturity groupings in which they fall due

31 December 2023	Less than 3 months	3-12 months	Maturity 1-5 years	More than 5 years	Total notional
Maturity	£m	£m	£m	£m	£m
Derivative assets	6.1	207.3	1,033.2	6.5	1,253.1
Derivative liabilities	-	1.0	164.7	337.1	502.8
Notional	5.6	208.3	1,197.9	343.6	1,755.9

31 December 2022	Less than 3 months	3-12 months	Maturity 1-5 years	More than 5 years	Total notional
Maturity	£m	£m	£m	£m	£m
Derivative assets	131.7	379.8	1,125.9	44.4	1,681.8
Derivative liabilities	-	-	26.0	3.0	29.4
Notional	131.7	379.8	1,151.9	47.4	1,711.2

The Group has 188 (2022: 171) derivative contracts with an average fixed rate of 2.51% (2022: 1.98%).

In accordance with IAS 32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group entered into a one-way collateral agreement with one of its swap counterparties such that when the derivatives are in asset positions for the Group, the swap counterparty will post collateral, but when the derivatives are in liability positions for the Group, no collateral will be posted by the Group to the swap counterparty. All collateral on outstanding swaps is therefore included in other liabilities and is detailed in the table below.

	Gross amounts	Amounts offset	Net amounts reported on balance sheet	Related amounts not offset: Cash collateral placed	Net amount
31 December 2023	£m	£m	£m	£m	£m
Derivative assets	13.0	-	13.3	0.9	12.4
Derivative liabilities	5.4	-	5.4	-	5.4

	Gross amounts	Amounts offset	Net amounts reported on balance sheet	Related amounts not offset: Cash collateral placed	Net amount
31 December 2022	£m	£m	£m	£m	£m
Derivative assets	9.6	-	9.6	8.8	0.8
Derivative liabilities	0.1	-	-	-	0.1

In addition to the above BGFL had also posted an initial margin with a swap counterparty to facilitate hedging activities prior to the assets being on the balance sheet. The balance of the initial margin posted was £10.3m (2022: £8.5m) and is included in other assets.

11. FINANCIAL INSTRUMENTS

The following table summarises the classification and carrying value of the Group's financial assets and liabilities:

		2023	
	£'000	£'000	£'000
Assets	FVTPL	Amortised cost	Total
Cash and cash equivalents	-	176,633	176,633
Loans and advances to customers	-	1,688,338	1,688,338
Derivative financial assets	49,350	-	49,350
	49,350	1,864,971	1,914,321
Liabilities			
Amounts owed to credit institutions	-	44,437	44,437
Debt securities in issue	-	1,676,909	1,676,909
Derivative financial liabilities	10,730	-	10,730
	10,730	1,721,346	1,732,076

		2022	
	£'000	£'000	£'000
Assets	FVTPL	Amortised cost	Total
Cash and cash equivalents	-	171,809	171,809
Loans and advances to customers	-	1,685,600	1,685,600
Derivative financial assets	89,079	-	89,079
	89,079	1,857,409	1,946,488
Liabilities			
Amounts owed to credit institutions	-	15,188	15,188
Debt securities in issue	-	1,748,523	1,748,523
Derivative financial liabilities	233	-	233
	233	1,763,711	1,763,944

12. OTHER RESERVES

	2023	2022
	£'000	£'000
Balance at 1 January	16,864	-
Effective portion of changes in fair value of interest rate swaps	(11,971)	16,864
Amounts transferred to the Income Statement	1,503	-
Balance at 31 December	6,396	16,864

The cash flow hedge reserve is the cumulative net change in the fair value of the effective portion of the interest rate swaps entered into to hedge the mortgage pipeline. The ineffective portion is recognised in the statement of profit and loss and other comprehensive income. Amounts transferred to the Income Statement relate to amortisations of fair value relating to de-designated hedges which are transferred in line with the expected cashflows of the underlying hedged item.

13. LOANS TO CUSTOMERS

	2023	2022
	£'000	£'000
BTL loans	1,250,194	1,277,203
Owner-occupied loans	447,704	471,287
Second charge loans	1,156	1,257
	1,699,054	1,749,747
EIR asset	18,806	18,174
Provision for impairment losses	(5,589)	(5,925)
	1,712,271	1,761,996
Fair value adjustment for hedged risk	(23,933)	(76,396)
	1,688,338	1,685,600

	2023	2022
Movements in loans to customers	£'000	£'000
At beginning of year	1,685,600	1,811,577
Loans originated	189,642	682,732
Effective interest rate adjustments	633	11,293
Interest, fees & charges on loans	90,388	81,138
Redemptions and repayments	(330,724)	(344,643)
Sale of loans	-	(481,822)
Charge for impairment losses	336	1,721
Fair value adjustment for hedged risk	52,463	(76,396)
	1,688,338	1,685,600

There were no forward flow originations in 2023 (2022: £112.3m).

14. EXPECTED CREDIT LOSSES

The following tables show the movement in credit exposures by IFRS 9 stage and the corresponding movement in impairment provisions by IFRS 9 stage.

Movement in loans to customers by stage – 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2023	1,041,635	662,983	45,129	1,749,747
Transfers between stages				
To stage 1	320,931	(314,850)	(6,081)	-
To stage 2	(133,088)	137,001	(3,913)	-
To stage 3	(5,324)	(20,531)	25,855	-
Originations (net of forward flow)	159,109	29,751	782	189,642
Changes to carrying value	(8,759)	(3,719)	1,184	(11,294)
Loans to customers derecognised during the year	(120,011)	(97,923)	(11,107)	(229,041)
Gross balance at 31 December 2023	1,254,493	392,712	51,849	1,699,054

Movement in loans to customers by stage – 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2022	1,124,651	643,601	44,091	1,812,343
Transfers between stages				
To stage 1	289,470	(288,949)	(521)	-
To stage 2	(310,965)	315,876	(4,911)	-
To stage 3	(4,210)	(13,694)	17,904	-
Originations (net of forward flow)	171,458	103,579	188	275,225
Changes to carrying value	(6,866)	(7,761)	(173)	(14,800)
Loans to customers derecognised during the year	(221,903)	(89,669)	(11,449)	(323,021)
Gross balance at 31 December 2022	1,041,635	662,983	45,129	1,749,747

In addition, the mortgage offer pipeline of £65,849k at 31 December 2023 (2022: £12,811k) was classified at stage 1.

Movement in ECLs by stage – 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2023	647	3,443	1,835	5,925
Transfers between stages:				
Transfers to stage 1	1,598	(1,479)	(119)	-
Transfers to stage 2	(125)	296	(171)	-
Transfers to stage 3	(7)	(203)	210	-
Originations (net of forward flow) + pipeline	355	226	21	601
Changes to carrying value	(1,315)	(182)	1,311	(186)
Loans to customers derecognised during the year	(48)	(216)	(487)	(751)
Impairment provision at 31 December 2023	1,105	1,885	2,599	5,589

Movement in ECLs by stage – 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2022	1,216	3,889	2,541	7,647
Transfers between stages:				
Transfers to stage 1	1,489	(1,450)	(39)	-
Transfers to stage 2	(354)	675	(321)	-
Transfers to stage 3	(9)	(189)	198	-
Originations (net of forward flow) + pipeline	269	1,335	18	1,621
Changes to carrying value	(1,631)	(466)	258	(1,839)
Loans to customers derecognised during the year	(333)	(351)	(820)	(1,504)
Impairment provision at 31 December 2022	647	3,443	1,835	5,925

ARREARS PERFORMANCE

The Group's mortgage book has continued to experience relatively low arrears and limited defaults. Those loans more than three months in arrears represented 2.2% of the total portfolio balances (2022: 1.3%) with owner-occupied at 4.4% (2022: 2.0%) and BTL at 1.4% (2022: 1.0%).

At the end of December 2023, there was 1 owner-occupied loan in possession (2022: 1) and 11 BTL loans in possession (2022: 7). There were 10 repossession sales during the year (2022: 7).

Movement in expected credit losses	2023 £'000	2022 £'000
At 1 January	5,925	7,647
Charge for the year	(55)	(543)
Derecognition following September 2022 loan book sale	-	(872)
Written off in the year	(281)	(307)
At 31 December	5,589	5,925

15. OTHER RECEIVABLES

	2023	2022
	£'000	£'000
Swap collateral	10,250	8,500
Deferred deal costs	5,362	4,649
Prepayments	1,237	1,301
Other receivables	4,264	1,848
	21,113	16,298

16. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:	2023	2022
	£'000	£'000
At 1 January	13,565	12,975
Adjustments in respect of prior periods	-	(330)
Credit to income statement	9,451	4,950
Effect of change in tax rate	594	835
Deferred tax asset not recognised	(10,045)	(4,865)
At 31 December	13,565	13,565

The net deferred tax asset is analysed as follows:	2022	2021
	£'000	£'000
Tax losses	13,271	13,445
Other timing differences	294	120
	13,565	13,565

At the reporting date, the Group has unused tax losses of £151m (2022: £112m) available for offset against future forecasted profits with no expiry date. A deferred tax asset has been recognised in respect of £54m (2022: £54m) of such losses which includes the impact of the corporate tax change from 19% to 25%, effective from 1 April 2023. No deferred tax asset has been recognised in respect of the remaining £97m (2022: £58m) as the directors have assessed that it is conservative to recognise tax losses on the same basis as the prior year, albeit with some additional restriction, whilst acknowledging the inherent uncertainty of using forecasts to underpin the level of the deferred tax asset recognised.

The deferred tax asset has been limited to £13.6m in respect of historical tax losses that are expected to be used to reduce future tax charges based on a five-year financial forecast. The forecast used to calculate this deferred tax asset is based on the recently approved five-year strategic business plan.

The base forecast is inherently sensitive to the assumptions which underpin it, including macroeconomic conditions (such as forecast spreads and interest rates, future tax rates, expectations of credit losses) and is dependent on BGFL's ability to successfully execute its strategy. As such, the expected utilisation of the deferred tax asset may vary significantly. A range of alternative possible forecast scenarios have been considered which result in a broad range of outcomes. If a downside scenario was used, a lower deferred tax asset of £11.6m would be recognised.

The five-year forecast period used to calculate the deferred tax asset is a significant judgement. The reliability of forecasts is inherently more uncertain the further into the future they extend. Five years is the period over which management has experience in forecasting and monitoring performance.

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY, PLANT AND EQUIPMENT

2023	Right of Use Asset £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2023	4,840	537	560	5,937
IFRS16 interest adjustment for variable asset components	(4)	-	-	(4)
Additions	-	-	24	24
Disposals	-	(6)	(184)	(190)
At 31 December 2023	4,836	531	400	5,767
Depreciation/amortisation				
At 1 January 2023	4,262	331	378	4,971
Charge for the year	364	103	119	586
Disposals	-	(6)	(185)	(191)
At 31 December 2023	4,626	428	312	5,366
Net book value				
At 31 December 2023	210	103	88	401

2022	Right of Use Asset £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2022	4,764	1,674	776	7,214
IFRS16 interest adjustment for variable asset components	76	-	-	76
Additions	-	58	73	131
Disposals	-	(1,196)	(288)	(1,484)
At 31 December 2022	4,840	536	561	5,937
Depreciation/amortisation				
At 1 January 2022	3,159	1,132	516	4,807
Charge for the year	1,103	332	151	1,586
Disposals	-	(1,133)	(288)	(1,421)
At 31 December 2022	4,262	331	379	4,972
Net book value				
At 31 December 2022	578	205	182	965

18. INTANGIBLE ASSETS

Cost	2023 £'000	2022 £'000
At 1 January	3,811	2,926
Additions	674	1,040
Disposals	-	(155)
At 31 December	4,485	3,811
Depreciation/amortisation		
At 1 January	974	518
Charge for the year	807	611
Disposals	-	(155)
At 31 December	1,781	974
Net book value		
At 31 December	2,704	2,837

Intangible assets comprise computer software, which consists of purchased software and other external costs directly associated with the development of software. The amortisation charge for the period is included in “Other administrative costs” as disclosed in note 8.

19. DEBT SECURITIES IN ISSUE

Residential and buy to let mortgage assets are used as security for loan notes issued through the following vehicles:

Warehouse Funding	2023 £'000	2022 £'000
Belmont Green Funding 1 Limited	98,853	145,887
Belmont Green Funding 3 Limited	14,277	24,740
Belmont Green Funding 4 Limited	129,530	218,827
Belmont Green Funding 5 Limited	195,599	241,538
	438,259	630,992
Securitisation Funding		
Tower Bridge Funding 2020-1 PLC	-	211,323
Tower Bridge Funding 2021-1 PLC	171,696	280,600
Tower Bridge Funding 2021-2 PLC	151,792	261,722
Tower Bridge Funding 2022-1 PLC	220,926	363,886
Tower Bridge Funding 2023-1 PLC	319,493	-
Tower Bridge Funding 2023-2 PLC	374,743	-
	1,238,650	1,117,531
Total debt securities in issue	1,676,909	1,748,523

The asset-backed loan notes are secured on both fixed and variable rate mortgages and are redeemable in part from time-to-time, although such redemptions are limited to the net principal received from borrowers in respect of the underlying mortgages. It is likely that a large proportion of the underlying mortgages and, therefore, the notes will be repaid within five years.

Asset-backed loan notes are expected to be repurchased by the Group from the outstanding Tower Bridge securitisations at the first call date. There is also the ability to repurchase the notes at any interest payment date after the call date.

Interest is payable at fixed margins above SONIA.

The Group priced an additional securitisation on 20 December 2023 with settlement taking place on 09 January 2024. At 31 December 2023 the mortgages were not held within the securitisation vehicle and the issued notes were not recognised as liabilities.

20. OTHER LIABILITIES

	2023 £'000	2022 £'000
Term loans	56,000	49,000
Accruals & payables	11,304	8,052
Lease liability	262	698
Forward flow completion monies received in advance	22	16
Interest rate swap accrual	5,044	2,029
Other liabilities	732	5,375
	73,364	65,170

Term loans consist of a £25m (2022: £25m) secured term loan from a third-party provider and a £31m (2022: £24m) term loan from the majority shareholder. Further disclosure around the shareholder loan is made in note 27.
Total lease payments during the year were £457k (2022: £1,361k), with principal amounting to £445k (2022: £1,339k) and interest amounting to £12k (2022: £22k).

21. PROVISIONS

	2023 £'000	2022 £'000
At 1 January	64	374
Utilised during year	-	-
Credit for year	-	(310)
At 31 December	64	64

Provisions include a dilapidations provision related to the anticipated costs of restoring leased assets to their original condition.

22. SHARE CAPITAL

Ordinary shares – par value £1	Shares authorised and fully paid Number	Nominal value £'000
At 31 December 2022	204,462,560	204,462
At 31 December 2023	204,462,560	204,462

NOTES TO THE FINANCIAL STATEMENTS

23. LEASE LIABILITIES

The Group has entered into leases for office space. The weighted average incremental borrowing rate applied to lease liabilities at inception was 3% resulting in the recognition of a lease liability of £262k (2022: £698k).

	2022 £'000	2021 £'000
Year 1	244	453
Year 2	20	240
Year 3	-	20
	264	713
Less: interest	(2)	(15)
At 31 December	262	698
Analysed as:		
Current	20	441
Non-Current	242	257
	262	698

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

Market risk is the risk that unfavourable market movements lead to a reduction in earnings or the Group's economic value. The Group does not have a trading book nor foreign exchange exposures. All derivatives are entered into for the purposes of hedging.

The main source of market risk is exposure to changes in interest rates and liquidity risk. Market risk is managed and monitored by the Group's Treasury function with oversight by the Risk function.

CREDIT RISK

Credit risk is the risk that unexpected losses may arise as a result of the Group's borrowers or market counterparties failing to meet their obligations to repay. The classes of financial instruments to which the Group is most exposed are loans to customers and cash with other financial institutions. The maximum credit risk exposure equals the total carrying amount of these categories plus off-balance sheet undrawn mortgage facilities.

Credit Risk – Loans to Customers
Credit risk associated with mortgage lending is largely driven by the housing market and the impact of inflation and unemployment on the ability of our customers to meet their monthly mortgage payments.. A recession and/or high interest rates could cause pressure within the market, resulting in rising levels of arrears and repossessions.

All loan applications are assessed with reference to the Group's lending policy. Changes to the policy are approved by the Board Risk Committee (BRC), with mandates set for the approval of loan applications. BRC regularly monitors lending activity, taking appropriate actions to adjust lending criteria in order to control risk and manage exposure.

The following table provides a breakdown of loans to customers by indexed loan-to-value:

	BTL	Owner-occupied	Second charge	Total	
2023	£'000	£'000	£'000	£'000	%
0% - 50%	113,012	95,781	374	209,167	12.3
50% - 60%	247,870	104,240	260	352,370	20.7
60% - 70%	572,273	112,727	382	685,382	40.3
70% - 80%	286,197	76,242	140	362,579	21.3
80% - 90%	28,837	57,740	-	86,577	5.1
> 90%	2,005	974	-	2,979	0.2
Total loans to customers	1,250,194	447,704	1,156	1,699,054	100

	BTL	Owner-occupied	Second charge	Total	
2022	£'000	£'000	£'000	£'000	%
0% - 50%	122,810	112,261	389	235,460	13.5
50% - 60%	305,495	129,466	550	435,511	24.9
60% - 70%	668,143	127,344	223	795,710	45.5
70% - 80%	173,155	58,396	94	231,645	13.2
80% - 90%	7,395	43,376	-	50,771	2.9
> 90%	-	650	-	650	-
Total loans to customers	1,276,998	471,493	1,256	1,749,747	100

An analysis of loans to customers by region at 31 December is as follows:

	2023		2022	
	£'000	%	£'000	%
East of England	182,151	10.7	193,972	11.1
East Midlands	82,527	4.9	81,059	4.6
London	691,616	40.7	725,467	41.5
North East	29,921	1.8	29,004	1.7
North West	97,478	5.7	95,622	5.5
South East	249,142	14.7	260,795	14.9
South West	98,080	5.8	104,888	6.0
West Midlands	99,838	5.9	100,968	5.7
Yorkshire and the Humber	71,304	4.1	68,247	3.9
Total England	1,602,057	94.3	1,660,022	94.9
Scotland	56,250	3.3	49,919	2.9
Wales	40,747	2.4	39,806	2.2
Total loans to customers	1,699,054	100.0%	1,749,747	100.0

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

Credit Risk – Loans to Customers >>>

The following table shows at year end, all gross loans to customers as categorised by the applicable IFRS 9 staging together with the ECL provision held. For Stages 1 and 2, the split between 'Low risk' and 'High risk' is determined by an internally defined threshold based on data provided by a third-party scorecard provider.

	Gross loans		Impairment provision	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Stage 1				
Low risk	1,226,950	1,031,490	968	619
High risk	27,543	10,145	138	28
Stage 2				
Low risk	314,394	593,732	1,031	2,597
High risk	78,318	69,251	854	846
Stage 3				
Impaired	51,849	45,129	2,598	1,835
Total loans to customers	1,699,054	1,749,747	5,589	5,925

Credit Risk – Cash at Financial Institutions

The Group holds cash at financial institutions as part of its management of liquidity. The table below provides a breakdown of cash held at financial institutions by rating of those institutions.

	AAA	AA-	A+	A-	BB+	Total
31 December 2023	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	43,900	132,565	-	168	176,633

	AAA	AA-	A+	A-	BB+	Total
31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	67,045	104,602	-	162	171,809

LIQUIDITY RISK

The table below shows the timing of future cash outflows payable on an undiscounted basis for finance debt (assuming securitisations are repaid at the first call date), trade and other payables and accruals. These amounts will differ from carrying value as they include future interest payments. The floating rate interest is estimated using the prevailing rate at the balance sheet date.

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2023	£'000	£'000	£'000	£'000
Within one year	744	192	819,293	80,316
1 to 2 years	-	82	820,501	24,630
2 to 3 years	-	28	106,551	1,016
3 to 4 years	-	-	-	-
	744	301	1,746,345	105,962

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2022	£'000	£'000	£'000	£'000
Within one year	442	1,782	1,077,080	51,749
1 to 2 years	-	39	300,191	25,223
2 to 3 years	-	24	205,878	14,047
3 to 4 years	-	7	205,561	1,955
	442	1,852	1,788,710	92,974

The table below shows the timing of contractual cash outflows for derivative financial instruments entered into for the purpose of managing interest rate risk, whether or not hedge accounting is applied. The amounts reflect the gross settlement amount where the pay leg of a derivative will be settled separately from the receive leg. The swaps are with high investment-grade counterparties and therefore the settlement-day risk exposure is considered to be negligible. For further information on derivative financial instruments, see note 10.

	2023	2022
Cash outflows for derivative financial instrument at 31 December:	£'000	£'000
Up to 1 month	4,016	1,223
1-3 months	6,679	8,303
3-12 months	24,873	28,855
1-5 years	19,121	57,764
Over 5 years	(839)	58
	53,850	96,203

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

INTEREST RATE RISK

The acceptable exposure to changes in interest rate is limited by Board defined risk appetite.

Fixed rate cash flows, whether assets or liabilities, are hedged to SONIA by means of interest rate swaps. SONIA is an overnight interest rate that correlates highly with the Bank of England's Base Rate during normal market conditions. Exposures to interest rate risk other than those based on BBR, SONIA and Vida Variable Rate are minimal.

Net exposures are hedged with external swap counterparties to mitigate the risk from interest rate movements.

The Group uses two primary methods to quantify interest rate risk exposure, Economic Value (EV) and net interest income (NII). EV sensitivity measures the change in net present value of the Group's asset, liability and derivative positions in response to an interest rate yield curve movement. NII sensitivity measures the change in NII over a 12-month time horizon following a change in the underlying interest rate yield curve. Each of these measures is stress tested in a variety of interest rate scenarios, using both parallel and non-parallel yield curve shifts.

Sensitivity analysis of EV and NII is performed on the Group balance sheet. The projected change in response to an immediate parallel shift of 200bps in all relevant interest rates for EV and 25bps for NII was
:

	2023	2022
	£'000	£'000
EV: Impact on increase in rates	857	2,356
EV: Impact on decrease in rates	(765)	(2,643)
NII: Impact on increase in rates	22	70
NII: Impact on decrease in rates	(22)	(77)

25. NET CASH FLOW FROM OPERATING ACTIVITIES

	2023	2022
Group	£'000	£'000
Profit for the year	6,068	1,984
Adjustments for non-cash items		
Taxation credit for the year	(25)	(609)
Write down of disposed assets	(1)	62
Depreciation of property, plant and equipment	222	483
Amortisation of intangible assets	807	611
Amortisation of right of use of asset	368	1,027
Movement in fair value hedge	(3,903)	704
Movement in provisions	-	(310)
	3,536	3,952
Changes in working capital		
Decrease in loans to customers	49,725	49,581
Increase / (decrease) in amounts owed to credit institutions	29,249	(148)
Decrease in receivables	2,177	16,382
Decrease in accruals & payables	3,216	603
Increase in other liabilities	(4,606)	(2,725)
Net (decrease) / increase in derivatives and hedged items	(5,786)	630
Decrease in tax liability	48	23
Cash flows from operations	74,023	64,345
Net cash flows from operating activities	77,559	68,297

26. RELATED PARTIES

The Company has the following subsidiaries and other related parties, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom (with the exception of the Pine Brook entities, which are registered in the Cayman Islands):

Related party	Holding 100% ordinary shares	Principal Activities	Registered Address
Subsidiaries			
Belmont Green Funding 1 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 1 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 3 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
Belmont Green Funding 3 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
Belmont Green Funding 4 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 4 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 5 Limited	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Belmont Green Funding 7 Limited	*	Non- trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding No.3 PLC[1]	*	Dissolved	40a Station Road, Upminster, Essex, RM14 2TR
Tower Bridge Funding No.3 Holdings Limited[2]	*	Dissolved	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding No.4 PLC	*	In liquidation	40a Station Road, Upminster, Essex, RM14 2TR
Tower Bridge Funding No.4 Holdings Limited	*	In liquidation	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2020-1 PLC	*	In liquidation	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2020-1 Holdings Limited	*	In liquidation	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2021-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-2 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-2 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2022-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2022-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2023-1 PLC	*	Non-trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2023-1 Holdings Limited	*	Non-trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2023-2 Plc	*	Mortgage Finance	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2023-2 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, London, United Kingdom, E14 5HU
Tower Bridge Funding 2024-1 Plc	*	Mortgage Finance	10th Floor 5 Churchill Place, London, London, United Kingdom, E14 5HU
Tower Bridge Funding 2024-1 Holdings Limited[7]	*	Non-trading	10th Floor 5 Churchill Place, London, London, United Kingdom, E14 5HU
Tower Bridge Funding 2024-2 Plc	*	Mortgage Finance	10th Floor 5 Churchill Place, London, London, United Kingdom, E14 5HU
Tower Bridge Funding 2024-2 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, London, United Kingdom, E14 5HU

Related party	Principal Activities
Other related parties	
Pine Brook PD (Cayman) Intermediate, LP	Investment Fund
Pine Brook Capital Partners II (Cayman) AV, LP	Investment Fund
Belmont Green Ltd	Mortgage Finance
Belmont Green Midco Limited	Holding Company

The Group's immediate parent is Belmont Green Midco Limited. The ultimate parent undertaking, and ultimate controlling party, is Belmont Green Limited which is incorporated in the United Kingdom. The registered office is at 1 Battle Bridge Lane, London, United Kingdom, SE1 2HP. The smallest Group into which the company is consolidated is Belmont Green Finance Limited and the largest Group is Belmont Green Limited.

* The share capital of the warehouses and securitisation vehicles is not owned by the Group, but the vehicles are included in the consolidated financial statements as they are controlled by the Group. Please refer to note 2(c) for more information.

For the year ended 31 December 2023, the below dormant subsidiaries are entitled to audit exemption under Section 479(a) of the Companies Act 2006.

Subsidiary	Registration Number
Belmont Green Funding 1 Holdings Limited	10272535
Belmont Green Funding 3 Holdings Limited	10272604
Belmont Green Funding 4 Holdings Limited	11066453
Belmont Green Funding 7 Limited	13970686
Tower Bridge Funding 2021-1 Holdings Limited	13061721
Tower Bridge Funding 2021-2 Holdings Limited	13381541
Tower Bridge Funding 2022-1 Holdings Limited	13688059
Tower Bridge Funding 2023-1 Holdings Limited	14070057
Tower Bridge Funding 2023-2 Holdings Limited	14762202
Tower Bridge Funding 2024-1 Holdings Limited	15198553

27. RELATED PARTY TRANSACTIONS

In 2022 and 2023 Belmont Green Limited entered into agreements with Pine Brook PD (Cayman) Intermediate, LP in which £31m shareholder interest-bearing term loans were provided to Belmont Green Limited.

[1]Company was officially dissolved on 28 February 2023

[2]Company was officially dissolved on 19 December 2023

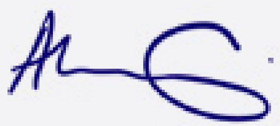
COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	Restated 2022 £'000
Assets			
Cash and cash equivalents	36	17,161	14,919
Loans to customers	30	1,712,271	1,761,996
Derivative financial instruments		-	731
Other receivables	31	34,000	13,982
Deferred taxation asset	32	13,565	13,565
Property, plant and equipment	17	401	965
Intangible assets	18	2,704	2,837
Corporation tax		-	25
Total assets		1,780,102	1,809,020
Liabilities			
Amounts owed to credit institutions	37	44,437	15,188
Deemed loan due to Group undertakings	33	1,544,083	1,606,178
Other liabilities	34	64,722	56,584
Provisions	21	64	64
Derivative financial instruments		4,727	-
Corporation tax		-	-
Total liabilities		1,658,033	1,678,014
Shareholders' Equity			
Share capital	22	204,462	204,462
Retained loss		(82,393)	(73,456)
Total shareholders' equity		122,069	131,006
Total liabilities and equity		1,780,102	1,809,020

The loss after tax for the year ended 31 December 2023 of Belmont Green Finance Limited as a Company was £8,937k (2022: Restated profit after tax £4,365k). As permitted by section 408 of the Companies Act 2006, no separate statement of Comprehensive Income is presented in respect of the Company.

The notes on pages 186 to 190 form part of these financial statements

The financial statements were approved by the Board of Directors on 18 June 2024 and signed on behalf of the Board.



Anthony Mooney
Company registration: 09837692

COMPANY STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Called up share capital £'000	Restated Retained earnings £'000	Restated Total £'000
Balance at 1 January 2023		204,462	(73,456)	131,006
Loss for the year		-	(8,937)	(8,937)
Balance at 31 December 2023		204,462	(82,393)	122,069
Balance at 1 January 2022		204,462	(77,821)	126,641
Profit for the year		-	4,365	4,365
Balance at 31 December 2022		204,462	(73,456)	131,006

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR

	Notes	2023 £'000	Restated 2022 £'000
Net cash utilised in operating activities	35	65,458	65,155
Purchase of property, plant and equipment	17	(24)	(131)
Expenditure on software development	18	(674)	(1,040)
Net cash utilised in investing activities		(698)	(1,171)
Movement of deemed loans due to Group undertakings		(62,097)	(86,210)
Proceeds from loan taken		-	25,000
Repayment of lease liabilities		(457)	(1,364)
Interest on loan		36	9
Net cash utilised by financing activities		(62,518)	(62,565)
Net increase in cash and cash equivalents		2,242	1,419
Cash and cash equivalents at the beginning of the year		14,919	13,500
Cash and cash equivalents at the end of the year		17,161	14,919

28. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS AND ESTIMATES

(a) Accounting basis

The separate financial statements of Belmont Green Finance Limited (the Company) are prepared and presented in accordance with International Financial Reporting Standards as adopted by the United Kingdom. The significant accounting policies are the same as set out in note 2 of the consolidated financial statements except as noted below.

(b) Income statement

As permitted by section 408 of the Companies Act 2006 the company is not required to present its own Statement of Comprehensive Income.

(c) Securitisation vehicles

The sale of the beneficial ownership of the loans to customers to the special purpose vehicles (SPVs) fails the derecognition criteria and, hence, these loans remain on the statement of the financial position of the company. In accordance with IFRS 9, the Company recognises the securitised assets as loans and receivables and consequently also shows a deemed loan liability to the SPVs where the Company still holds an interest in the loans. An equivalent deemed loan asset is recognised on the SPV's statement of financial position. The deemed loans are repaid as and when principal repayments are made by customers against their loans. The Company substantially retains the risks and rewards of ownership and continues to bear the credit risk of these mortgage assets.

29. RESTATEMENT

In the current year, as part of a continual focus on improving the precision of financial reporting, it was identified that within the accounting for a loan sale that occurred in 2022, the deemed loan interest charges to the warehouse SPVs were not correct. Management considers that a prior year restatement is appropriate and has retrospectively restated the 2022 balance sheet and income statement. This has resulted in a decrease in interest expense of £29.8m, a decrease in the deemed loan liability of £29.8m and a corresponding increase of £29.8m through retained earnings.

	As Originally stated	Adjustment	Restated
	£000'	£ 000'	£000'
Statement of Financial Position			
As at 31 December 2022			
Deemed loan due to group undertakings	1,635,997	(29,819)	1,606,178
Total liabilities	1,707,833	(29,819)	1,678,014
Retained Earnings	(103,275)	29,819	(73,456)
Total equity	101,187	29,819	131,006

30. LOANS AND ADVANCES TO CUSTOMERS

A detailed breakdown of the loans to customers can be found in note 13 of the consolidated accounts. At 31 December 2023, loans to customers were £1,712m (2022: £1,761m) which included £1,699m (2022: £1,749m) which were part of secured funding arrangements, resulting in beneficial interest in these loans being transferred to the SPVs.

31. OTHER RECEIVABLES

	2023	2022
	£'000	£'000
Swap collateral	10,250	8,500
Prepayments and other receivables	1,743	2,941
Amounts owed by related parties	21,281	2,541
Deferred deal costs	726	-
	34,000	13,982

32. DEFERRED TAX

	2023	2022
	£'000	£'000
At 1 January	13,565	12,975
Prior year effect	-	(330)
Credit to income statement	9,451	4,950
Effect of change in tax rate	594	835
Deferred tax asset not recognised	(10,045)	(4,865)
At 31 December	13,565	13,565

33. DEEMED LOANS DUE TO GROUP UNDERTAKINGS

	2023 £'000	Restated 2022 £'000
Deemed loan due to Belmont Green Funding 1 Limited	82,684	129,952
Deemed loan due to Belmont Green Funding 3 Limited	12,447	22,790
Deemed loan due to Belmont Green Funding 4 Limited	117,742	214,194
Deemed loan due to Belmont Green Funding 5 Limited	184,994	232,583
Deemed loan due to Tower Bridge Funding 2020-1 PLC	-	196,555
Deemed loan due to Tower Bridge Funding 2021-1 PLC	153,652	229,942
Deemed loan due to Tower Bridge Funding 2021-2 PLC	138,963	230,916
Deemed loan due to Tower Bridge Funding 2022-1 PLC	207,765	349,246
Deemed loan due to Tower Bridge Funding 2023-1 PLC	281,387	-
Deemed loan due to Tower Bridge Funding 2023-2 PLC	362,493	-
Deemed loan due to BGFL Consol	1,956	-
	1,544,083	1,606,178

The interest payable on deemed loans is equivalent to the interest receivable on the underlying mortgages.

34. OTHER LIABILITIES

	2023 £'000	2022 £'000
Amounts owed to related parties	34,465	24,237
Accruals & payables	4,994	4,129
Lease liability	235	698
Forward flow completion monies received in advance	28	16
Other liabilities	25,000	25,001
Deferred deal costs	-	2,503
	64,722	56,584

35. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2023 £'000	Restated 2022 £'000
(Loss)/Profit for the year	(8,937)	(4,365)
Adjustments for non-cash items		
Taxation credit for the year	(48)	(615)
Write down of disposed assets	(1)	62
Depreciation of property, plant and equipment	222	483
Amortisation of intangible assets	807	611
Amortisation of right of use of asset	368	1,027
Movement in fair value hedge	5,456	(729)
Movement in provisions	-	(310)
	(2,133)	(4,894)
Changes in working capital		
Decrease in loans to customers	49,725	49,581
Increase/(decrease) in amounts owed to credit institutions	29,249	(148)
(Increase)/decrease in receivables	(114)	18,796
Increase/(decrease) in accruals & payables	829	(191)
Increase/(decrease) in other liabilities	3,285	(10,108)
Movement in loans (to)/from subsidiaries	(15,456)	2,332
Decrease/ (Increase) in tax liability	73	-
Cash flows from operations	65,458	65,155

36. CASH AND CASH EQUIVALENT

	2023	2022
	£'000	£'000
Deposits	250	-
Cash and cash equivalent	16,911	14,919
	17,161	14,919

37. AMOUNTS OWED TO CREDIT INSTITUTIONS

These amounts are in respect of repurchase agreements of financial securities that the Company entered into with the counterparties which are active at the end of year.

38. RELATED PARTIES

All of the Company's related parties can be found in note 26 of the consolidated accounts. Deemed loan undertakings due from related parties are disclosed in note 32. All are incorporated in the United Kingdom, are registered in England and Wales and operate throughout the United Kingdom, with the exception of Pine Brook PD (Cayman), Intermediate, LP and Pine Brook Capital Partners II (Cayman) AV, LP which were formed and are currently registered in the Cayman Islands.

39. SUBSEQUENT EVENTS

After the company's year-end reporting period and before the issuance of the financial statements, BGFL completed 2 successful RMBS transactions, Tower Bridge Funding 2024-1 Plc in January 2024 and Tower Bridge Funding 2024-2 Plc in April 2024. The securitisations enable £600m of further available capacity within the warehouse funding facilities. This is a non-adjusting event and noted for information purposes.

On 5 April 2024, the outstanding shareholder loans had 3 month extensions to their repayment dates granted such that the repayment dates will now be 7 July 2024 or such later date as may be agreed between the parties.

Belmont Green

Belmont Green Finance Limited (the "Company") is a private limited company incorporated and domiciled in the United Kingdom.
It is registered in England and Wales under the Companies Act 2006 with company number 09837692 and is limited by its shares.
The company's registered address is 1 Bridge Street, Staines-Upon-Thames, Surrey, United Kingdom, TW18 4TW.